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Walker
Ingram
Venables

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

14 September 1981

Norman

PORT OF LONDON AUTHORITY

You wrote to me on 10 September suggesting that we should commit ourselves to financing investment of up to £3m at Tilbury, subject only to the PLA management showing that sufficient customers were prepared to move from the Royals to justify the investment. The announcement of the PLA's intention to invest further at Tilbury would effectively commit us to financing it.

As you recognise, there is not the slightest financial justification for this investment. It is a straightforward demand from the PLA management to commit yet more funds in return for their co-operation in closing the Royals which should anyway have been closed a considerable time ago.

I recognise the dangers to which you refer of industrial action. Clearly this is something which we wish to avoid, just as we need to ensure that the closure of the Royals is announced as soon as possible. But there are many difficult decisions pending on PLA and the prospects of progress are slim if the PLA management are unprepared to take decisions of this sort without ransoming the Government for quid pro quo's at every step.

Nonetheless, I share your concern and think we should seek to make a helpful statement of some kind. For the reasons I have stated I would not favour going quite as far as you suggest. What I have in mind is that instead of saying that we authorise the £3m scheme at Tilbury on the basis that it can only go ahead if enough customers are prepared to move to Tilbury to justify the investment there, we will sympathetically consider the request for authorisation of the £3 million scheme. There would thus be no firm commitment at the time of the announcement, but equally, no basis for alleging that the Government has refused authorisation, and indeed a distinct possibility of authorisation in the near future.

I am copying this letter to the Prime Minister, members of E(EA) and to Sir Robert Armstrong.

Leon
LEON BRITTAN

14 SEP 1981

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cc Dujund
Wallen F/6

Mr Sanderson (with papers)

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

I have told my opposite
number in the Ch. Sec's office
of the urgency of this.
IAJM. 11/14

cc PS/Mr Clatho
PS/Mr Peter Baldwin
Mr Holmes

10 September 1981

Mr G.H. Murray
Mr Bray



The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
Treasury
Parliament Street
LONDON SW1

Dear Leon.

PORT OF LONDON AUTHORITY

In my letter of 21 August I indicated that the PLA proposed to announce closure of the Royal Group of Docks, subject to assurances from the Government about the funding of severances, and investment at Tilbury.

I have now discussed the PLA Board's position with their Chairman, Victor Paige, in some detail. On severances I explained to him that I appreciated that if funds are not made available to sever the registered dock workers made surplus by closure, the PLA would be left to pay their wages. He accepted that at this stage I could not go any further to meet the PLA's condition on this point.

I also explained my difficulty over his Board's request for authority for investment at Tilbury in view of the fact that, as the Board accept, this cannot be justified on any normal financial criteria. The Chairman told me that, nevertheless, the PLA Board are very firmly of the view that a promise of new investment at Tilbury is essential to reduce the grave risk of industrial action over the Royals, either locally or nationally, particularly if traffic and jobs are

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lost as a result of closure - the new development would preserve 200 jobs. If I refuse permission for the investment the Board would probably, albeit reluctantly, feel obliged to go ahead with closure but my refusal of development would inevitably become known to the work force (there are two union men on the Board). They think there would then be a much greater risk that any resulting industrial action would be directed against the Government rather than the Authority.

I have made it clear to the PLA, however, that I am not prepared to authorise their £5.5 million scheme. In the light of this they have reduced the scale of their proposals to the bare minimum and have produced a cheaper scheme which would cost just under £3 million. They think there is a reasonable prospect that this might still be sufficient to persuade enough customers to transfer to minimise the risk of damaging industrial action over loss of jobs. However if discussion with their customers following the announcement of closure showed that not enough of them were prepared to move to Tilbury the PLA would not go ahead with these investment plans and make alternative arrangements within existing facilities at Tilbury to squeeze in those customers who were willing to transfer.

I am still unhappy about the case for this investment but I do not think we can ignore the PLA's warnings about the grave risk of a strike which would cost at least £1 million a week in direct costs, could lead to permanent traffic losses even bigger than those already forecast, and could risk prejudicing the response to the current severance offer. All this could cost us much more than the investment. I am therefore reluctantly forced to the view that we should agree - but only on the condition set out below.

I should have preferred to avoid the need for this decision at this stage particularly as we have yet to consider the options for the PLA, including the case for a total

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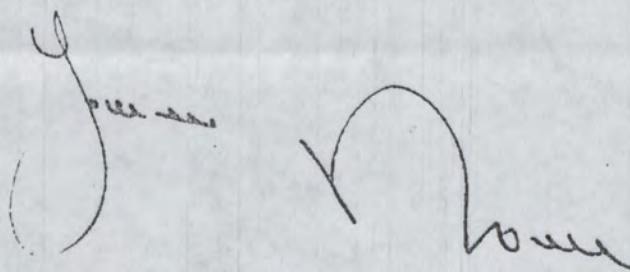
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withdrawal from cargo handling. However I am persuaded by the overriding need to secure an early announcement of closure of the Royals. No new work at Tilbury could start before the end of the year by which time we will have decided on our future policies for the PLA.

It is essential that sufficient customers presently catered for at the Royals make commitments to use the facilities at Tilbury. I would therefore propose to make my offer to the PLA conditional. I would tell them that the necessary funds will only be made available for development at Tilbury if it is made clear to me that enough customers are prepared to move there to justify the investment. Only on this basis would I be telling them that they could announce their intention to invest up to £3m on improved facilities at Tilbury.

If I can give an assurance of this kind to the PLA early next week, I understand that they would be able to announce closure of the Royals on about 21 September. I should therefore be grateful to have your agreement to what I propose as early as possible.

I am copying this letter to the Prime Minister, members of E(EA) and to Sir Robert Armstrong.

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

NORMAN FOWLER

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9nd Pal

to Mr. Duguid
Mr. Walters

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JJ

COPY NO 8 OF 16 COPIES

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2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17261/81

Your ref:

3 SEP 81

See above

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I have seen a copy of your letter of 21 August to Leon Brittan, and his reply of 25 August. I support an immediate announcement of closure. But the poor Tilbury investment should be firmly resisted; and if we are driven to such an expedient it should be later rather than sooner from a tactical point of view.

Copies of this go to the Prime Minister, Members of E(EA) and to Sir Robert Armstrong.

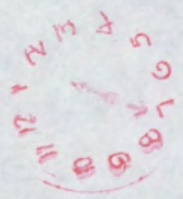
you see

MICHAEL HESELTINE

The Rt Hon Norman Fowler MP

SECRET

14 SEP





Treasury Chambers, Parliament Street, SW1P 3AG

The Earl of Gowrie
Minister of State
Department of Employment
Caxton House
Tothill Street
London SW1

3 September 1981

PORT OF LONDON AUTHORITY: CLOSURE OF ROYAL DOCKS

I have seen a copy of your letter of 27 August to Norman Fowler raising the possibility of the costs of severance arising from closure of the Royals being met by special Government assistance.

To decide now on special assistance to PLA for this purpose would pre-empt the decisions we are to take later this month in E(EA). It would also effectively take PLA (and the Mersey Docks & Harbour Company) out of the National Voluntary Severance Scheme which is not a step we can take lightly. If you believe that the decisions we may reach on the future of the Ports of London and Liverpool may precipitate a financial crisis in the NVSS I hope you will ensure we have before us an assessment of the options for preserving the scheme when we come to take the decisions. In the meantime, the scheme remains a national scheme and I do not think there are grounds for treating severances from Royal Docks any differently from severances elsewhere in the country. Indeed, to do so can only enhance the risks of the Government being seen to be organising the closure and thus to maximise the risks of industrial action.

I am copying this letter to the Prime Minister, to Members of E(EA) and to Sir Robert Armstrong.

LEON BRITTAN

1. Mr. Rickett ✓
2. Mr. Lankester - on return B

Mr. Fowler's proposals in his letter of 21 August to the Chief Secretary are to be discussed at a meeting of E(EA), to be chaired by Mr. Prior in Sir Keith Joseph's absence.

The Cabinet Office know that the Prime Minister does not dissent from Mr. Fowler's approach, subject to the views of colleagues. There should be no further need for her involvement, at least until after this collective discussion.

MP

1 September 1981



*cc to Walter
✓ Mr Dignid*

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-2125902
SWITCHBOARD 01-212 7676

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From the
Parliamentary Under Secretary of State

Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

28 August 1981

Dear Secretary of State

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8/9

PORT OF LONDON

I have had sight of your letter of 21 August to Leon Brittan. I agree with the course of action you propose, although I feel we must be careful to avoid implying that we accept the PLA's view that severance payments in excess of £16,000 may be needed in order to achieve the necessary reductions in surplus registered dock workers.

I am sending a copy of this letter to the Prime Minister, to members of E(EA) and to Sir Robert Armstrong.

Yours sincerely

Joanne Dawson

MICHAEL MARSHALL

[Approved by the Minister
and signed in his absence]

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C7 27 AUG 1981
PERMANENT SECRETARY
TRANSPORT



From the
Parliamentary Under Secretary of State

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27 AUG 1981
SECRETARY OF STATE
TRANSPORT

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 3781
SWITCHBOARD 01 215 7877

cc B/Hr Clarke
B/Sir Peter Baldwin
Mr Logares
Mr Sanderson 7.9.81
Mr Brown
Mr Grimsey
Mr Evans FT
27 Mr Bray
August 1981

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

Dear Norman,

F2

In John Biffen's absence, I am commenting on the proposal in your letter of 21 August to Leon Brittan that the closure of the Royal Group of Docks should be announced very soon.

For the reasons outlined in your letter, I am sure that your view is right. This closure nettle clearly has to be grasped. It is as you say important that the PLA should take full advantage of the initiative by the National Association of Port Employers. I have also considerable difficulty with the remarkable proposition that this port authority (only kept in operation by state subsidies) should propose new investment, not justified in economic terms, to "motivate management" and fudge the realities of the situation for all concerned.

Yours,
David

LORD TREFGARNE



Minister of State

*C. Walker
Duguid*

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 5949 GTN 213...
Switchboard 01-213 3000

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Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1

27 August 1981

Dear Norman,

I have seen a copy of your letter of 21 August to the Chief Secretary about the Port of London Authority, and am replying in Jim Prior's absence on holiday.

Closure of the Royal group of docks has been seen as inevitable for some considerable time, and I can see the attractions in announcing this in time to take advantage of the enhanced severance payments which will be on offer nationally during September and October through the National Voluntary Severance Scheme. But the special national offer for September and October was aimed primarily at the serious labour surplus problems of other ports such as Bristol, Hull, Manchester and Southampton. The TGWU are committed to resisting further dock closures in London; and it would be unfortunate if the timing of this announcement had the effect of prejudicing the outcome of the wider severance exercise.

It is unsatisfactory that we should have to make snap judgements on such an important and sensitive issue. For my part I see no objections to your discussing the matter with the Chairman of PLA; but I think it would be unwise to get into the position of appearing to insist on an immediate announcement about the Royals against PLA's own closer judgement of the situation.

Whatever the outcome it seems to me that the funding of severances arising from the closure of a major docks complex needs separate consideration. It may be found convenient to use the machinery of the National Voluntary Severance Scheme, but at this stage I am by no means persuaded that the costs should fall on the NVSS, which is already heavily in deficit. The National Association of Port Employers, which is already under great internal strain, would be bound to resist this; and I certainly see no prospect

of other port employers agreeing to any further general increase in severance levies in the immediate future, after the 2% increase in January 1982 to which they are already committed. To preserve the viability of the NVSS and the support of NAPE it may well be necessary to consider direct financing of severances from the Royals as part of any wider package of financial support for PLA.

I am sending copies of this letter to the recipients of yours.

Yours,
Gwen

LORD GOWRIE

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cc Mr Waller
Mr Ingham

✓ MAR 2
hd BL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1

25 August 1981

Dear Mr Fowler

PORT OF LONDON AUTHORITY (PLA)

You wrote to Leon Brittan (who is currently abroad) on 21 August about the possibility of an early announcement by the PLA that the Royal Group of Docks were to be closed.

It is good news that the PLA Board are at last facing up to the need to close the Royals and I am sure you are right to press them for as early an announcement as possible. As you say, it is vital to the success of the closure that it coincides with the special severance terms being offered nationally in September and October and the earlier in September an announcement can be made the better.

I am aware that if the PLA succeed in severing all the surplus registered dock workers in the Royals, the costs of the national special scheme may be higher than originally estimated. While further loans to the NDLB would be extremely unwelcome, I recognise that we may have to reconsider the position if these severances alone are responsible for the original estimates of the total number of expected severances being exceeded. It may of course be the case that additional severances at London are offset by shortfalls in expected severances elsewhere.

So far as the PLA's finances are concerned, I think your approach is broadly the right one. The cost of the severances will of course be met initially by the national scheme, so there is no question of these falling directly on the PLA. The financial indications of the success or otherwise of the closure will have to be taken into account in reaching decisions on the Port's long term future in September. On investment I agree that it makes sense to point out to the Board that decisions cannot be reached until after September when we have been able to consider their Corporate Plan. But I should say now that I do not regard this investment as worthwhile or something we could agree to in future, and it is therefore important that absolutely no commitments are entered into. I certainly do not think anything should be said to enable PLA to go as far as promising new investment at Tilbury as you suggest they will wish to do.

I have noted the threat of industrial action associated with closure. As you recognise, this is a risk we have to run if we are to make any progress with PLA, and I doubt there will ever be a better time to run it than now.

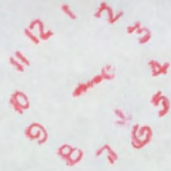
I am sending a copy of this letter to the Prime Minister, to members of E(EA) and to Sir Robert Armstrong.

Yours sincerely,
Mat Felsten
(Principal Secretary)

NIGEL LAWSON

(Approved by the Financial
Secretary & signed
in his absence)

26 AUG 1981



SECRET

cc Mr Walter
Mr InghidDEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EE

1.

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

Prime Minister

Mr Fowler's seeks authority
to give PLA a steer on
timing of a closure announcement
for the Royals group - ahead of
E(CEA) discussion on longer-
21 August 1981 term PLA issues
scheduled for late Sept.
Content, subject to views
of colleagues?

Agreed
MT.MFP
24/VIII

Dear Leon.

PORT OF LONDON AUTHORITY

In my paper E(EA)(81)23 I undertook to circulate a paper to the Sub-Committee in September on the options for the ports of London and Liverpool. However, following the recent decision by the National Association of Port Employers to offer improved severance terms to registered dock workers (rdws) for two months starting on 1 September, I think it is important that we should take a decision now about the future of the Royal Group of Docks in London, in order to secure the greatest possible advantage from the general severance scheme in tackling the particular, very severe problem of London.

The PLA Board recently took a decision in principle that the Royals should be closed soon, and all the options in their Corporate Plan assume this. I think that is altogether sensible. However, the Authority wants to delay announcing closure until the Government has agreed:

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- i. to provide the funds needed to pay for the 300 extra rdw severances involved (they think that a figure substantially higher than the £16,000 available under the NAPE's special scheme may be needed);
- ii. to authorise investment of £5.5m at Tilbury to enable traffic displaced from the Royals to be handled there. Although the PLA accept that the financial case for this investment is weak, they argue that it is necessary in order to motivate management and prevent trouble with the unions.

I do not think we can take a view on either of the PLA's points until we consider all of the options for the port in E(EA) in September. The PLA's current attitude therefore means that an announcement about closure of the Royals might not be made until the end of September or early October, by which time the NAPE severance scheme would already have been running for a month. This delay would greatly reduce the chances of the PLA securing a significant proportion of the severances they need, and increase the risk that a further special severance scheme, financed directly by the Government, would be needed to deal with the surplus in London.

The PLA argue that if they close the Royals without being sure that they can fund the necessary severances they will lose revenue but still have to bear the manpower costs. That is true and the Government would have no choice but to help in the short term. It does, also, ignore the evidence which suggests that announcement of a dock closure leads to a significant increase in the number of applications for severance. I therefore consider that there is a strong case for pressing the PLA to make an immediate announcement of closure of the Royals.

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I have some sympathy with their view that if they cannot promise any kind of new investment at Tilbury, they will be in a difficult position in talking to their customers, as well as their own management and the unions. We cannot possibly decide anything in advance of having their Corporate Plan as a whole. But if I am to persuade the PLA - and that will not necessarily be easy - then I think that I shall have to undertake to consider a case for some minimum investment at Tilbury, but would make it clear that I could make absolutely no promises until we had had time to consider and take decisions on their Corporate Plan.

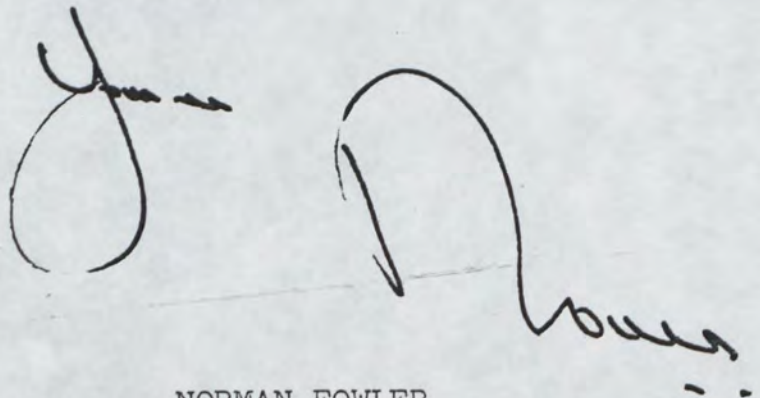
I cannot pretend that there are no risks attached to closure. The Transport and General Workers Union's official policy is that they will call a national dock strike if the Royals are closed. On the other hand closure is only a matter of time - as the PLA's own workforce must be well aware - so this is a risk which will have to be faced sooner or later. Furthermore, there was no industrial action nationally, and virtually none locally, when the PLA closed the India and Millwall Docks in March last year. An additional risk is that the union might try and persuade rdws not to apply for severance under the NAPE's national severance scheme; if this happened the financial position of other port authorities would continue to deteriorate. In my view however, these risks should not be over-estimated. On the contrary, there is an important counter argument against delaying announcement of closure until after the NAPE national severance scheme at £16,000 has run its course, or virtually done so: this would be more likely to provoke a national dock strike over the closure issue because either the London men would feel that they had been cheated of the chance to take advantage of the special terms or men in other ports would feel that London had held back in order to come up later with even better terms.

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I therefore propose telling the PLA that I expect them to announce closure of the Royals early enough to take full advantage of the initiative by NAPE, and that I cannot take a final view on either of their proposed conditions until we consider the future of the port in September. I will remind the Authority that the Government is not at present committed to providing any assistance beyond the end of September, and that the PLA could not continue operating the Royals without such assistance. However, in order to reduce the possibility that the PLA, or the unions, might claim that the Government had forced their hand on closure, I propose telling the Authority that I recognise that there is a clear choice between paying for the severances arising from closure, and meeting the losses if the workforce is not reduced, and that I also recognise that the PLA does not have the resources to pay for either cost. I would also undertake to consider the case for some minimum investment at Tilbury in due course. I hope you, and the other colleagues to whom I am copying this letter, will agree to this course of action. Clearly it is important that the PLA should know the Government's position as soon as possible, and I would be grateful for your views (and any other colleague's) during next week.

I am copying this letter to the Prime Minister, to members of E(EA), and to Sir Robert Armstrong.

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

NORMAN FOWLER

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