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PRIME MINISTER

Prime Minister

MCS 9/10

✓ A. Duguid (1)
A. Walters
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PORT OF LONDON AUTHORITY AND MERSEY DOCKS AND HARBOUR COMPANY

In my capacity as Chairman of the Economic Affairs Sub-Committee of the Ministerial Committee on Economic Strategy (E(EA)) I thought that you would be interested to know the conclusions which we reached on 5 October about the future of the Port of London Authority (PLA) and the Mersey Docks and Harbour Company (MDHC).

2 The proposals which the Secretary of State for Transport put before us (E(EA)(81)32 and 33) and which we approved were, unlike the interim action taken earlier this year, drawn up in the light of corporate plans prepared by the port authorities and evaluated by the Secretary of State's consultants - Price Waterhouse in the case of the PLA and Peat Marwick Mitchell in the case of MDHC. In neither case has closure been identified as a realistic option. Both authorities carry out some essential functions (e.g conservancy) and have some profitable activities (e.g the grain terminals). In addition the MDHC has a key role in the economy of Merseyside.

3 For the PLA we have approved the proposal which provides the best chance of profitability by 1985. This involves the PLA's giving up all cargo-handling on its own account and a reduction in its workforce of 60 per cent (3,500). The PLA Board and unions can be expected to resist this strongly and there must be a risk of industrial action most probably confined to the PLA. In the case of the MDHC withdrawal from own-account cargo-handling is not feasible since it handles about 55 per cent of Merseyside's non-oil traffic, as compared with the PLA's 10 per cent share. The only option for the MDHC is therefore to continue with minimum cash support with withdrawal from unprofitable operations where possible; manpower will need to be reduced by over 1,300 during the next four years.

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4 The major issue is how to achieve the manpower reductions. Compulsory severance would almost certainly require legislation to amend the National Dock Labour Scheme and the Sub-Committee accepted the judgement of the Secretaries of State for Transport and Employment that it would be likely to provoke an immediate and prolonged national dock strike. None of us felt that this would be a sensible course of action. We therefore agreed that voluntary severance payment above the £16,000 available at present under the National Voluntary Severance Scheme should be offered in London and on Merseyside and to the payment of a special Government grant to permit this. Port employers outside London and Liverpool would be unwilling or unable to pay the extra levy which would otherwise be necessary. The Secretary of State for Transport is to consider, in consultation with the Chief Secretary to the Treasury and the Secretary of State for Employment the level of severance payments which might be offered.

5 The course of action proposed is likely to involve additional public expenditure bids of some £90 million in 1982/83, £60 million in 1983/84 and £15 million in 1984/5. The Secretary of State for Transport and the Chief Secretary to the Treasury are discussing how these bids can be met in the context of the current public expenditure round. The Secretary of State for Transport has been given policy clearance for legislation to increase the statutory limit on financial assistance to the PLA and MDHC; there is already provision for this in the 1981/82 legislative programme.

6 Consideration of the special problems of the PLA and MDHC has demonstrated that there are some general issues affecting the ports which need to be looked into further. The Secretary of State for Employment will be looking into the future of the National Voluntary Severance Scheme and the Secretary of State for Transport will be arranging for a confidential inter-departmental study, on lines suggested by the CPRS and in which they will be involved, of some other issues including the operation of the National Dock Labour Scheme and the scope for further ports privatisation.

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7 I am sending copies of this minute to the other members of E(EA), the Lord President of the Council, the Secretary of State for Transport, the Chief Whip, the Minister of State, Department of Industry and the Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

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Department of Industry

9 October 1981

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Blind cc Mr Duguid
Mr Walters

12 October, 1981

Port of London Authority and Mersey Docks
and Habbour Company

As I informed the Secretary of State for Transport's Office on the telephone this morning, the Prime Minister has seen and noted your Secretary of State's minute of 9 October.

I am sending copies of this letter to the Private Secretaries to other members of E(EA), the Lord President, the Secretary of State for Transport, the Chief Whip, the Minister of State, Department of Industry and the Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

MICHAEL SCHOLAR

I K C Ellison Esq
Department of Industry

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