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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



Tim Lankester Esq
Private Secretary
No 10 Downing Street

see Ind Pol (Dec 79) 'Future of the Mersey Docks
and Harbour Company.'

Prime Minister

The attached statement,
which is in line with
E(EA) conclusions which you
agreed, seems alright.

4 December 1979

Dear Tim

Yes no

Content subject to
other colleagues views?

My Minister has asked me to send you the attached copy of a statement he is making tomorrow, in answer to a Written PQ, about Government assistance to the Port of London Authority. This is in accordance with the decisions taken at E(EA) a couple of weeks ago and subsequently approved by the Prime Minister in the light of the minute to her from Sir Keith Joseph, as Chairman of that Committee.

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4/12

Mr Fowler thinks the Prime Minister will wish to be aware that the Mersey Docks and Harbour Company are pressing for similar assistance. Mr Fowler saw the Chairman and other Board Members in August, and agreed then that he would make loans available for capital development. The Chairman, Sir Arthur Peterson, has now just written to say that there has been a severe fall in port traffics, that the Port has no reserves (which Mr Fowler of course already knew), the Company has found that they needed considerably larger sums than they had expected to cover the cost of additional severances, and that they were facing severe financial difficulties. Mr Fowler has now written to Sir Arthur Peterson asking for more detailed figures as quickly as possible.

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Fig A | Mr Fowler will be putting a paper to his colleagues as soon as he has these figures, and has been able to have them examined. This is bound to take a few weeks. In the meantime, the Prime Minister may have seen that Sir Arthur Peterson has written to The Times, following yesterday's speculative article by Michael Bailey in the business section, asking for similar treatment to that given to the PLA. The Minister will not be in a position to know whether he should recommend any special help for the Mersey Docks and Harbour Company until he has been able to look at the details of the Company's finances.

The Minister had agreed with L Committee that he would introduce, later this week, the Port of London Financial Assistance Bill, designed to cover the agreed assistance for the PLA. He is writing to the Chancellor of the Duchy to explain that he will postpone presentation of this Bill for the time being, mainly in order to avoid giving any immediate cause for further public complaints by the Mersey Docks and Harbour Company, but also to give time to consider whether any special financial assistance for the Mersey may be justified and, if so, whether we should aim to cover it in the same Bill.

Copies go to the Private Secretaries of members of E(EA), and of the Leader of the House, the Paymaster General and the Chief Whip.

Yours
Genie

MRS E C FLANAGAN
Private Secretary

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DRAFT MINISTERIAL STATEMENT ON THE PORT OF LONDON AUTHORITY

a little
drafting
change needed
to make it
a written answer
MS

1. As I told the House on 27 July, I can now announce my decision on the Port of London Authority's Five Year Strategic Plan 1979/83. In considering the Plan, I have had the benefit of advice from Price Waterhouse and Co.
2. The Plan considers two options: the Transfer Option under which the Royal Docks would be closed to PLA traffic by the middle of 1981, and the Concentration Option under which both the Upper Docks would be kept open, but traffic concentrated into a smaller number of berths. The Plan holds out no prospect that the Concentration Option would enable the PLA to return to viability within the 5 years, and it would therefore involve deficiency financing with no reasonable prospect of repayment. The Transfer Option, on the other hand, holds out a prospect of sufficient profitability to enable the PLA to meet their loan repayment obligations.
3. The Government can only agree to maintain the minimum level of financial assistance to the Authority that they will need to continue with the most rapid possible run-down of manpower, and plan for the quickest possible return to viability at least cost to the taxpayer. I therefore propose to set a strict financial limit on the total of Government assistance. Subject to minor adjustments to cope with inflation and the latest forecasts, this is set at the same level as was promised by the last Government.
4. The details are as follows:
 - i. I reaffirm the undertaking given by the last Government

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to make grants towards the cost of severance of surplus manpower (in the case of registered dock workers these grants are only payable up to February 1980). On current estimates, the total will slightly exceed the £35m promised by the last Government in 1978.

ii. I will continue to stand behind the £10m commercial loan facility of which the PLA has already used £2m. I will also of course honour the previous Government's undertaking to stand behind the earlier £15m loan which was used in 1977 and 1978.

5. In addition, in the light of revised forecasts, I am prepared to stand behind the PLA in negotiating an agreement to postpone the £3m loan repayment due in 1980 and the similar repayment due in 1981. I will also, but only if the Authority satisfy me that it is necessary, stand behind their existing overdraft facility up to a total of £5m for a period.

6. I have told the PLA that within this tight limit it is for them, and not the Government, to decide on the detailed steps necessary to achieve viability. But I shall require them to report to me at intervals that they are satisfied with the progress they are making. They will know that they will have my full support in taking all necessary steps to achieve this end.

7. The PLA's Strategic Plan calls for a capital reconstruction under which the Authority's outstanding debt to the Government (now over £60m) would be written off. But the Government can see no justification in present circumstances for such a write off, since it would be incompatible with our view that assistance from public funds must be kept to the minimum needed to recover profitability.

8. I shall shortly be introducing a Bill to provide the necessary statutory authority for this assistance. I will of course continue to provide Harbours Act loans for capital works subject to the usual criteria.

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to make grants towards cost of avoidance of surplus manpower (in the case of the 1980-81 period) on current grants are only £100 million. On current estimates, the total amount granted in 1978-79 is estimated to be £150 million, which is slightly in excess of the £135 million promised by the last Government in 1978.

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11. I will continue to be in contact with the FIA concerning the loan facility of which the FIA has already used £25 million. I will also of course monitor the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

12. I will continue to be in contact with the FIA concerning the loan facility of which the FIA has already used £25 million. I will also of course monitor the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

13. I have told the FIA that within this month I will be reporting to the Government on the detailed arrangements for the £50 million loan repayment due in 1980 and the earlier repayment due in 1981. I will also, but only if the Authority agree that it is necessary, stand behind their existing overdraft facility up to a total of £50 million for a period.

14. The FIA's Strategic Plan calls for a capital reconstruction order which the Authority's outstanding debt to the Government (now over £100 million) would be written off. It is not clear to me how this could be financed in present circumstances for such a write off, since it would be incompatible with our view that assistance from public funds must be kept to the minimum needed to restore profitability.

15. I shall shortly be introducing a Bill to provide the necessary statutory authority for this assistance. I will of course continue to provide Harbours Act loans for capital works subject to the usual criteria.

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Ind Pol

10 DOWNING STREET

From the Private Secretary

5 December, 1979.

cc Ind Pol (Dec 79) 'Future of the Mersey Docks and Harbour Company.'

This is to confirm that the Prime Minister is content, subject to other Minister's views, with the draft Written Answer on the Port of London Authority which you enclosed with your letter of 4 December.

The Prime Minister has also noted that your Minister will be circulating a paper on the Mersey Docks and Harbour Company in the light of representations received from Sir Arthur Peterson.

I am sending copies of this letter to the Private Secretaries to members of E(EA), the Chancellor of the Duchy of Lancaster, the Paymaster General, and the Chief Whip - and also to Martin Vile (Cabinet Office), together with a copy of your letter.

T. P. LANKESTER

Mrs. E.C. Flanagan,
Department of Transport.

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Extract from The Times
dated 4 December 1979.

Sharing the cost of docks redundancies

From Sir Arthur Peterson

Sir, Shortly before your eclipse, you published a letter from me commenting on the then Government's decision to give £35 million to the Port of London to meet the cost of necessary staff reductions.

If your transport correspondent's forecast (Business News, December 3) is correct it seems that the present Government is due to continue a policy which is manifestly unfair to ports such as Liverpool, which have to deal with exactly the same problems as London.

The restructuring of the port industry is a difficult and expensive process and it is right

that there should be generous treatment for men who are no longer needed, often after a lifetime of service in the industry.

But the problem is common to all the major ports and if the Government are to make central funds available towards its solution then it should do so to all ports which need them. Any system by which all ports except one are expected to contribute 100 per cent of the costs while the remaining port contributes nothing is unjust and inequitable.

SIR ARTHUR PETERSON,
Chairman, Mersey Docks and
Harbour Company.