

and 17 Dec 79 MDHe

CONFIDENTIAL

Ind Ref 2



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon the Lord Hailsham
of St Marylebone CH FRS DCL
Lord Chancellor
Lord Chancellor's Department
House of Lords
LONDON
SW1

Prime Minister
Mr Fowler intends to
introduce his Bill next
Thursday. (The Bill was to
have been introduced last
autumn but was
20 March 1980 put off).

PL
2/3

Yes *Scientia* *not*

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

You will remember that I decided for tactical reasons to delay the introduction of the Port of London (Financial Assistance) Bill. The situation at both London and Mersey has now changed and I think the time is now right to introduce it.

I have kept colleagues broadly in touch with the PLA situation. I announced a tough financial limit on 7 December last. The Board made a considered statement on 28 January, which included a very clear warning that in order to manage within this limit, closure of the India/Millwall Docks for PLA cargo-handling operations would be inevitable in July unless the improvements in working practices and manpower reductions which were being discussed with the unions

CONFIDENTIAL

could be implemented in full and quickly. During February there was a strike of about two weeks over a pay offer (which has now been accepted). As a result of the financial losses from this, and the loss of some large customers, the Board decided on 3 March to go ahead with immediate closure of the India/Millwall Docks.

As I have indicated, the pay proposals have been accepted. It is too soon to be sure that the dock closure will go through without industrial action, particularly since the PLA's dockers have resolved not to cooperate on the transfer of the traffic to other parts of the port. This could all come to a head within the next week or two and lead to another strike. But I made it clear in my paper for the E(EA) Committee that the financial limit deliberately did not include any contingency provision for fear of undermining the financial discipline which is now beginning to work.

I am sure that we must still be seen to stand firm on the financial limit. When we discussed the provisions of the Bill in the Autumn, we agreed that notwithstanding the absence of a contingency allowance in the announced financial limit, it would be right to include a margin of £10m in the Bill above the £70m needed for the PLA. I now think this would be a mistake because the unions could regard it as a sign of weakness. I therefore propose to amend the figure in the Bill from £80m to £70m.

I am encouraged to do so by my belief that the Board have been doing everything they could, both on their stand over pay and on the decision to accelerate the dock closure,

to keep within the financial limit and that they have shown, and are continuing to show, commendable firmness with their unions and skill in handling them. Moreover, the Chairman has informed me that the benefits which they might reasonably expect to follow the dock closure and other management action could, if all goes well and there is no major strike, make up much of the recent losses though he cannot of course give firm guarantees at this stage.

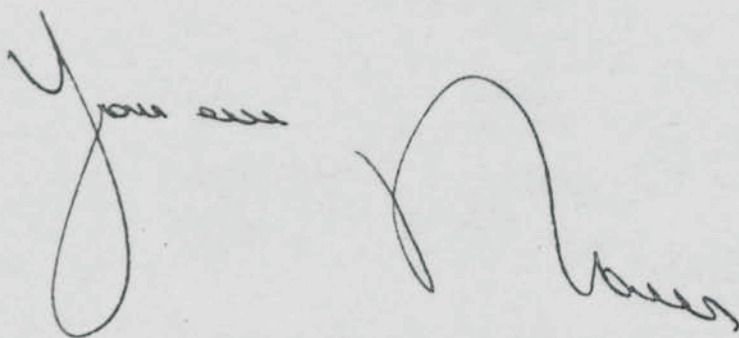
I do not think that the fact that we have had to delay presentation of the Bill, and my recommendation that we should change the financial limit in the Bill, will of themselves involve any change in the handling of the Bill which we discussed in Legislation Committee towards the end of last year.

As regards the Mersey Docks and Harbour Company, they have agreed to carry out further studies, with the assistance of the National Ports Council, to explore how their financial position can be improved. The results of these studies should be available by the summer. At that stage it will be necessary for us to consider whether, and in what way, we should assist them to carry out the further steps needed to deal with their problems.

However I must warn my colleagues that although their present cash forecasts suggest that, if things go well, they can exist until the Autumn within their existing cash resources (which includes an agreed facility for an overdraft of up to £3m.), it could easily become necessary - particularly

if there is a strike or they lose a major customer - to provide immediate help by way of a Government backing for a larger overdraft facility pending the completion of these studies. I hope that will not prove necessary. But colleagues should be aware that the need could arise at short notice. I propose accordingly to introduce the Port of London (Financial Assistance) Bill next Thursday, with publication on Friday. I also propose, in the meantime, to continue making advances under the Harbours Act to both authorities.

I am sending copies of this letter to the Prime Minister, Norman St John Stevas and the other members of L, the members of E(EA), the Paymaster General and Sir Robert Armstrong.

You are


NORMAN FOWLER

11 12 1
2
3
4
5
6
7
8
9
0

21 MAR 1980



cc Ind (S)
MDHC
Dor 29
ind P87

Treasury Chambers, Parliament Street, SW1P 3AG

BM

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
London SW1

27 March 1980

Dear Minister

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

I have seen a copy of your letter of 20 March to the Lord Chancellor. I am content for the Port of London (Financial Assistance) Bill to be introduced on 27 March as you propose. I am however concerned about the position in respect of the Mersey Docks and Harbours Company (MDHC).

I appreciate your desire to resume Section 11 lending to MDHC pending the outcome of the National Ports Council's studies. But the current strike is likely to bring forward the time when the company will have to turn to the Government for a guarantee to enable it to continue borrowing from commercial sources. If the strike continues for any length of time, we would be lending to the Company in the certain knowledge that it could only meet its obligations with Government support. This would not only run counter to one of the usual conditions of borrowing from the National Loans Fund - that the recipient is able to service the debt - but could lead to strong criticism since we would be lending money knowing that it probably could not be repaid, and in advance of a decision to give long term support to the port.

In these circumstances I cannot agree unconditionally that we should continue Section 11 lending. I am prepared to accept that Section 11 loans should be made to refinance existing debt to avoid precipitating an immediate crisis - I understand that one such loan is needed by the end of the month. But I think we must consider collectively in the immediate future whether or not we are prepared to support the MDHC, with a guarantee if necessary, until the Autumn before undertaking further lending. Perhaps you could consider bringing forward a paper to the appropriate Cabinet Committee.

In view of the fact that even this limited lending will not fully satisfy the conditions on which National Loan Fund loans are usually made, I must also ask you to inform Parliament of your decision to continue lending when the next loan is made.

I am copying this letter to the Prime Minister, Norman St John Stevas and the other members of L, members of E(EA), the Paymaster General and Sir Robert Armstrong.

Yours sincerely

R. W. A.

PP JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

27 MAR 1960



FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



CONFIDENTIAL

HOUSE OF LORDS,
SW1A 0PW

26th March 1980

The Rt Honourable
Norman Fowler, MP
Minister of Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

My dear Norman:

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

Thank you for your letter of 20th March about this Bill. I note your intention to reduce the financial limit in the Bill from £80 million to £70 million, and also what you say about the position of the Mersey Docks and Harbour Company. If colleagues have any comments on these points no doubt they will let you know.

You will by now have ^{Parliament - legislation} received a copy of the Chancellor of the Duchy's letter of 24th March to the Energy Secretary in which he suggested that this Bill should be dealt with as a separate measure and should be brought forward as soon as possible. So far as Legislation Committee is concerned, therefore, there is now no reason why you should not introduce the Bill in accordance with the authority given last year. It will, of course, be for you to agree with the Chief Whip on the precise timing of its introduction.

I am sending copies of this letter to the Prime Minister and to the other recipients of yours.

Yrs:

FROM: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH, FRS, DCL

27 MAR 1960

