

CONFIDENTIAL



13/11
Await reply from
Chancellor.

A. J. C. 25/11

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 5/16

25th November 1982

Dear Geoffrey

GIBRALTAR DOCKYARD - REDUNDANCY COMPENSATION

The Foreign and Commonwealth Secretary announced on 23rd November his plan for aiding the commercialisation of Gibraltar Dockyard. The effective date for this to be complete is 1st January 1984. So far as the locally engaged civilians are concerned Appledore are expected to take on about 700 staff in the first instance. The likelihood is that Appledore will not be able to match their existing terms and conditions of service, particularly in respect of pensions. If they did it is very doubtful if they could make commercialisation a success.

Both the Prime Minister's office and Defence Ministers have given public pledges to the Gibraltarians that all the locally engaged civilians in the Dockyard who on commercialisation cease to be our employees except on normal retirement will receive redundancy compensation at the rates applicable to the UK Civil Service. There is no escaping these pledges, which are a vital feature of the policy and of the prospects for selling the concept politically in Gibraltar. When these pledges were given, we were working on the assumption, as were your officials, that the legislation would not bite on people in Gibraltar.

1

The Rt Hon Sir Geoffrey Howe QC MP

CONFIDENTIAL



The people concerned are either in the Principal Civil Service Pension Scheme (PCSPS), in a by-analogy local pension scheme or subject to special local arrangements. As a result I am now advised that those in the first two of these categories are liable to be caught by the provisions of the Civil Service and Related Bodies (Redundancy Compensation) Bill, which I understand is to be published on Friday, 26th November. Unless some way of avoiding this can be found, the effect would be to rule out the payment of full redundancy compensation to those accepting offers from Appledore although a separate payment could be made in compensation for worse terms and conditions of service. To avoid this I should be grateful for your agreement to treating the Gibraltar Dockyard as was suggested for the National Maritime Institute at the meeting of the Legislation Committee, namely that the Government would be ready to pay ex gratia compensation up to the level that they would have got under the PCSPS. I would then ask my officials to get in touch with yours about the text of a reassuring note for guidance which can be issued in Gibraltar on Friday.

In the light of the pledges that have been given and against the background of the delicate political balance in Gibraltar, we cannot allow a situation to develop where our earlier assurance on redundancy compensation are questioned. The existence of Sir Joshua Hassan's Government could even be at stake. It will be vital when the Bill is published to make it clear in Gibraltar that we stand by what has already been said and will pay compensation up to the level available under the PCSPS. You should know that the costs of redundancy compensation for all those affected have been included in the costings which the Treasury has had, and have been taken fully into account in the overall assessment.

CONFIDENTIAL



On this basis I should be grateful for your agreement to treating the Gibraltar Dockyard on the same basis as agreed for the National Maritime Institute.

I am copying this letter to Members of the Cabinet and to Sir Robert Armstrong.

Yours ever
JN

John Nott

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

25 NOV 1982

