



CCB/UP

CONFIDENTIAL - NO COPIES TO BE TAKEN

P 02789

From: J B UNWIN
14 July 1987

MR NORRGROVE - No 10

PORTS BILL AND FUTURE OF THE NATIONAL DOCK LABOUR SCHEME

At the conclusion of her meeting on 22 June the Prime Minister invited the Cabinet Office to chair a small group of officials to consider possible options, including out-right abolition of the Dock Labour Scheme (the Scheme).

2. I attach a note which I have agreed with officials from the Treasury, the Department of Employment and the Department of Transport, and with Mr Wybrew from the Policy Unit. This note:-

- describes the nature of the Scheme and its costs to the Exchequer and the ports industry (paragraphs 2 to 4);
- examines whether the Scheme will "wither away" naturally (paragraph 6);
- assesses four possible alternative options to out-right abolition (paragraphs 7 to 13); and
- reviews the strike risk (paragraphs 14 to 17).

3. The conclusions are set out in paragraph 18. Our principal conclusion is that, if the Government wish to end the Scheme, there is no realistic alternative to out-right abolition; and that on balance the right time to act is now in the context of the wider package of measures to modernise and restructure the UK ports industry. But Ministers will, of course, wish to test this conclusion against the risks and considerations set out in the paper. I imagine that the Prime Minister will wish to reconvene a meeting of the previous group of Ministers to discuss this.



CONFIDENTIAL - NO COPIES TO BE TAKEN

4. I am sending copies of this minute and of the paper to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Employment, the Chancellor of the Duchy of Lancaster, the Secretary of State for Transport, the Lord Privy Seal and Sir Robert Armstrong.

J B UNWIN

CONFIDENTIAL - NO COPIES TO BE TAKEN

THE DOCK LABOUR SCHEME

INTRODUCTION

1. At her meeting on 22 June, the Prime Minister invited the Cabinet Office to chair a small group of officials to consider possible options, including outright abolition of the Dock Labour Scheme. This paper addresses that remit.

SIGNIFICANCE OF THE DOCK LABOUR SCHEME FOR THE UK PORTS INDUSTRY

2. At the discussion on 22 June, Ministers remained committed to the need to restructure and modernise the UK ports industry.* This study starts from that premise. We do not consider modernisation of the UK ports possible without action on the Dock Labour Scheme (the Scheme). The Scheme makes "dock work" in some 40 ports the statutory preserve of registered dock workers (RDWs) and registered employers. Recruitment to and removal from the registers is determined by Local Dock Labour Boards, on which there are equal numbers of employer and union members, and by the National Dock Labour Board, on which equal numbers of employer and union members are augmented by 4 members appointed by the Secretary of State for Employment. By giving the unions an equal share in any decision about the recruitment and dismissal of RDWs and their deployment between employers within a port, the Scheme removes from the employers the control they would normally expect to exercise over numbers employed and discipline. Apart from natural wastage, a port's register can be reduced only when existing RDWs are offered sufficient inducement to volunteer for severance.

*A map of the UK ports industry and details of principal ports lie at the Annex to this paper.

Exchequer Costs

3. The Scheme imposes significant costs on Government, the ports industry itself and on the UK economy as a whole. Since 1979 the Scheme has cost the taxpayer £220 million in severances, and we expect the average annual cost to the Exchequer over the next few years to be between £5 million and £10 million, on the assumption that the Government offers some limited assistance towards severance costs. Moreover, as long as the Scheme remains, the Government will be vulnerable, as they have been in the past, to pressures for further financial assistance to individual ports as crises occur which are attributed to the Scheme. Since 1979, the Government has paid over £250 million for assistance to the ports of London and Liverpool (over and above contributions towards the costs of severances for RDWs). Two or three local authorities have also given assistance to the ports they own. The extreme case has been the £100 million contributed by Bristol City Council to the port of Bristol over the past 10 years. This is not all directly attributable to the Scheme; but it can scarcely be a coincidence that it is Scheme, rather than non-Scheme ports, that get into serious difficulties. Looking to the future, the viability of the ports of London, Liverpool, Clyde, Manchester, Bristol and Sunderland is very uncertain and could impose additional costs on Government.

Ports Industry Costs

4. As far as the UK ports industry is concerned, costs in some markets are estimated to be some 60% higher than those of our Continental competitors many of whose infrastructure costs are heavily subsidised. Precise explanations of these differences are not possible, but if one third of the differences was attributable to the Scheme, that would be equivalent to an extra £100 million a year, on port costs. Given this, and that non-scheme ports tend to be on the east coast over which our increasing trade with Europe passes, it is not surprising that Scheme ports have seen their share of the non-fuel market drop from 95% to 70% since the Scheme was introduced. An assessment of the full opportunity cost of the

Scheme to the UK economy would need to take into account the higher trading costs which Scheme ports have imposed on UK industry and the Corporation Tax foregone through their lack of competitiveness. These costs cannot be quantified, but they are likely to be substantial.

Inner Cities

5. It is worth mentioning also that the reform and privatisation of our ports industry offers scope and incentive for inner city regeneration. Many of the older ports are located in inner city areas. The rigidities of the Scheme and the antiquated constitution of many ports have discouraged investment and redevelopment. The Government's proposed measures would open the way to the modernisation and expansion of the most favourably located and enterprising ports and the redevelopment of others, including provision for leisure, housing and business activity.

"WITHERING ON THE VINE"

6. The Scheme will never completely wither away unless and until every Scheme port closes. That is a most improbable scenario on any reasonable time scale. We have therefore examined further whether the number of RDWs is now so small that the Scheme can be regarded as an irrelevance and can be left to wither into insignificance without any positive action being taken to terminate it. The total number of RDWs has declined from a peak of 81,000 in 1955 to 45,000 in 1971, to 27,000 in 1979 and to 10,200 now largely as a result of changes in cargo handling techniques and in the UK's trading patterns. This process has largely cleared the main surpluses. Further significant, though less dramatic, decline in the register is still expected, as more trade shifts to non-Scheme ports and to the Channel Tunnel. But it is unlikely that there will ever come a point at which the Scheme can be held to "have withered away". If, for example, numbers continue to decline at the historic annual average of 7% p.a., there will still be 5,000 RDWs in 10 years time and 2,500 in 20 years. Whatever the rate of reduction, natural wastage will not take care of it. The age

structure of RDWs is so heavily concentrated in the 40-55 range that there will come a point at which some retiring RDWs will need to be replaced (and new recruits will be needed at Scheme ports which expand), so these new recruits will perpetuate the Scheme for even longer. Moreover, the withering process itself is unlikely to be either gentle or painless. The Scheme will continue to be a source of trouble and a potential liability to employers and to the Government. Some ports, even major ports, may be faced with closure if they are not rescued by the Government or a local authority. There could be widespread strike action in defence of threatened RDW jobs. The closure of a port does not necessarily solve the problem of the remaining RDWs. We therefore conclude that specific action, rather than the passage of time, will be needed to bring the Scheme to an end on any acceptable time scale.

ALTERNATIVE OPTIONS

7. In the light of Ministers' initial views, we have examined 4 options, alternatives to outright abolition, to see if they would achieve the objective of the modernisation of the UK ports industry at less risk of industrial disruption. These options are:-

- a. Buy-Out of Dockers' Rights;
- b. Removal of individual ports from the Scheme;
- c. Persuading Ports Employers to renounce the Aldington-Jones agreement; and
- d. Preserved rights, ie preservation of rights of existing RDWs but not of new recruits.

Buy-Out of Dockers' Rights

8. Under this option, the Government would pay a sum of money to all existing RDWs in return for their agreement not to take industrial action against legislation to repeal the Scheme. In industrial relations terms this is probably the least risky option.

But it would be very costly. At a level of compensation payment of £25,000 per man*, it would cost £250 million, and dockers would be in a strong position to bid up the price once they perceived the Government's intentions. Apart from the undesirable precedent of being seen to buy off industrial action, there might also be practical difficulties in negotiating such a deal with the union - the TGWU might refuse to negotiate on behalf of its members, and, if it did not, it is not clear how such arrangements could be made binding on members who oppose the demise of the Scheme. We cannot recommend this option.

Removal of Individual Ports from the Scheme

9. This could technically be achieved by an Order or succession of Orders under the Dock Workers (Regulation of Employment) Act 1946. But if objections were made to any Order, as they would be, the Secretary of State would be bound under the statute to cause a public enquiry to be held. This option would also involve a risk of judicial review. Industrial disruption would be certain not only at the port or ports named under the Order, but on a wider scale; a succession of Orders would accordingly run the risk of a succession of disruptions. Clearly no port would wish to be singled out for such treatment. In short, the risks of this option would be almost as high as those involved by outright abolition of the Scheme, and the benefits obtained much less.

Persuading Ports Employers to renounce the Aldington-Jones agreement

10. Under the Aldington-Jones agreement between the port employers and the unions in 1972 and reaffirmed in 1974 and 1980, RDWs will always be allocated to a specific employer and will not be placed on the Temporarily Unattached Register (TUR). If employers

*£25,000 is the current maximum severance payment; in London, Liverpool and the Clyde £35,000 has been offered.

renounced this agreement, any RDWs declared to be surplus to an employer's requirements would, instead of being reallocated among other employers in the port, be placed on the TUR maintained by the Dock Labour Board (DLB), and would be paid the local fall back rate of pay by the DLB through a levy on all Registered employers. This would last until another employer in the port needed extra men on a permanent basis and agreed to have some of those on the TUR allocated to him.

11. Although this would restore what little flexibility was initially built into the Scheme, employers would have little to gain from this course and it is difficult to see how they could be persuaded to adopt it. Port operators such as Associated British Ports (ABP) would fiercely oppose contributing towards the costs of a TUR in other ports. Renunciation of the Aldington-Jones agreement would also be likely to precipitate a national dock strike since the TGWU is pledged to oppose any use of the TUR which they see as a return to casualism (as confirmed by the ballot the TGWU have ordered on precisely this point in connection with the proposed closure by the Clyde Port Authority of their container base at Greenock). This option again represents the worst of both worlds; the risks of industrial action are high, and the benefits of the option questionable.

Preservation of Rights of Existing RDWs but not of new recruits

12. Under this option, dockers recruited to Scheme ports after a certain date would not be registered and would not have the protection that the Scheme affords. The "rights" of existing RDWs would be preserved. This would require primary legislation. At first sight this seems an attractive option; it would not entail any loss of rights for existing RDWs. But examination of what "rights" RDWs have exposes serious difficulties. First, the foundation of the Scheme (see paragraph 2 above) is that in those ports where it applies dock work can be undertaken only by RDWs. This option would knock away that foundation, and would therefore be bound to be seen by RDWs as an assault on the Scheme. Second, the Scheme gives RDWs joint control, through the Dock Labour

Boards, of the numbers employed at each port on dock work and of their deployment. This "right" too would be undermined. In addition to these conceptual difficulties there are two practical considerations. Formidable industrial relations problems would arise if registered and non-registered dock workers were ever to be expected to work side side by side. Also, as demonstrated in paragraph 6 above, this option would do nothing to solve the real and immediate problems that the Scheme creates for the ports industry, since it would be many years before the number of non-registered dock workers became significant, let alone a majority, in more than one or two ports. Recruitment is expected to continue to be minimal; over the next decade the number of dock workers needed in Scheme ports may contract by as many as 4,000 and the number actually due to retire is very small. The employers have already indicated their strong objections to this approach. We do not therefore recommend this option.

ASSESSMENT OF OPTIONS

13. If the Scheme is to go, we do not see any realistic alternative to outright abolition. The key judgement, however, is whether the benefits of abolition outweigh the risks of the industrial action which abolition is bound to provoke.

The Strike Risk

14. It is not possible to forecast with confidence or precision the reaction to a decision to abolish the Scheme, or its effects on the economy. Our best assessment (based on recent informal sounding of Mr Finney, the Director of the British Ports Association, and Sir Keith Stuart, Chairman of Associated British Ports) is that: -

- a. in non-Scheme ports, in response to a national dock strike call by the TGWU, there might only be a stoppage for a matter of days; and

- b. in Scheme ports, solid strike action might not last for more than 2-3 weeks, with strike action lingering thereafter in the older ports, perhaps for many weeks.

But it could be much worse and, in our view, it would be unwise to take public steps towards immediate abolition of the Scheme unless the Government were willing to face up to the following more severe pattern of industrial action:-

- a. a patchy and short-lived action (over, say 2 to 3 weeks) in non-Scheme ports such as Felixstowe and Dover;
- b. a complete stoppage of the majority and larger Scheme ports for at least 6 to 8 weeks, and of the major older ones, including Liverpool, Hull, Southampton, Tees and London for longer; and
- c. attempts by the TGWU to disrupt all seaborne trade by calling on other workers for support. Some groups might see this as an opportunity to pursue their own claims (eg the Civil Service Unions, for instance, might attempt to withdraw Customs cover and to disrupt freight through those ports the dockers failed to close).

15. Such action would certainly not "cut the jugular" of the UK economy. Fuel supplies would be unlikely to be affected and the Ministry of Agriculture, Fisheries and Food have previously judged that food supplies could be maintained indefinitely. About two thirds of seaborne non-fuel trade by tonnage but less than half by value goes through Scheme ports; some of that would be diverted, but there would be widespread industrial disruption, particularly in industries with integrated international production (motor vehicles) and bulk materials (chemical and steel). On the assumption that other circumstances remained favourable at the time and that the Government's action was clearly presented as a positive attempt to make the ports industry competitive, the Treasury judge that sterling would be unlikely to be affected by trouble on this scale. The position could, however, be different

if the strike took place against an unfavourable background, for example if oil prices were falling and there were other serious industrial disputes.

16. Port employers would have an important role in such a scenario, and they have given much thought to the contribution they could make. They have developed a package of proposals for conditions in the ports following the ending of the Scheme. This includes an agreement prohibiting the employment of casual labour in former Scheme ports, local arrangements for inter-employer transfers of labour and a guarantee of no compulsory redundancy for a year after abolition. After the comparative lack of strength and solidarity shown up by the dockers in the 1984 strikes and with the Channel Tunnel in prospect, employers now believe they have a major incentive to end the Scheme and modernise their ports. Significantly, the management of the privatised Associated British Ports, which covers about 30% of Scheme ports, has concluded that the commercial benefits of abolition would outweigh the cost of strike action. The present resolve of employers, therefore, is to stand firm in the event of a national dock strike, even though at any port where the strike lasted more than a few weeks the short-term effect on profits could become serious. But we cannot be sure that their nerve, and that of ship-owners and shippers, would hold firm throughout a national strike that held solid in the Scheme ports for more than two or three weeks.

Contingency Planning

17. Although we doubt whether action on the scale suggested in paragraph 14 above would be serious enough to justify activating them, contingency plans involving the use of service teams exist to help cope with the effects of a dock strike, if the situation looked like getting out of hand. The plans are set out in the Cabinet Office Emergencies Book and will not be summarised here. Previous reviews, however, suggest that, if the situation became worse than we expect, these plans could probably maintain "essentials of life" cargoes.

CONCLUSIONS

18. The above analysis suggests the following conclusions:-

i. If the Government wishes to end the Scheme, there is no realistic alternative to outright abolition.

ii. There is serious risk of industrial action, but our assessment is that the potential benefits of abolition of the Scheme and reform of ports industry outweigh the risks involved; and that, although there may never be an 'ideal' time, the right time to act is now, when the Government's authority has been freshly reconfirmed, the port employers are geared up, and there is widespread expectation of and support for such action.

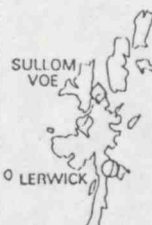
iii. Presentation of such a decision is, however, crucial. It should be set in the wider context of the necessary modernisation and restructuring of the UK ports industry along the lines of the draft White Paper already circulated by the Secretary of State for Transport. It would be most important also to concert presentation with the employers, so as to gain maximum public credit for the thought they have already given to alternative proposals (eg on the lines of those in paragraph 16 above).

iv. If, however, Ministers decide not to abolish the Scheme outright now in view of other more pressing considerations but believe it should be politically possible to do so in, say, a year's time, it would be preferable to defer the Ports Bill until then on the grounds that a Bill designed to restructure the industry would carry no credibility if the Scheme were to continue in place.

v. If, however, Ministers concede that outright abolition of the Scheme cannot be contemplated, it is for consideration whether they should make this clear publicly, at an early stage, rather than keep open the option of action against the Scheme later.

G.B. PORTS 1985

ANNEX



PORTS	TRAFFIC 1985 (000 TONNES)	
	Total	Fuel
Aberdeen	2495	822
Anglesey Marine Terminal	7763	7763
Ayr	784	545
Berry	1115	440
Blyth	3769	2648
Boston	1424	20
Bridgwater	431	311
Brightlingsea	510	185
Bristol	3834	1205
Cardiff	2011	884
Clyde (and Ardrossan)	9912	4392
Colchester	1198	264
Cowes I O W	304	81
Cromarty Firth	3130	2870
Dover	8267	93
Dundee	921	420
Exmouth	572	78
Falmouth	221	196
Felixstowe	10071	166
Fishguard	286	-
Fleetwood	1879	5
Folkestone	476	-
Forth	29054	25648
Fowey	1511	-
Garston	1465	598
Gloucester (and Sharpness)	730	86
Goole	1404	173
Great Yarmouth	2359	335
Harwich	3800	279
Heysham	928	17
Holyhead	1174	20
Hull	4524	308
Inveringham (and Grimsby)	29122	1758
Inverness	765	398
Ipswich	3775	730
Kings Lynn	1030	273
Lancaster	233	120
Lerwick	986	278
Littlehampton	371	1
Liverpool	10383	2898
London (and Riverside Wharves)	51730	27611
Lowestoft	496	91
Manchester	9510	4718
Midway	10935	5665
Milford Haven	32464	32220
Montrose	662	29
Mostyn	241	19
Naith	785	267
Newhaven	1618	-
Newport	2508	491
Par	594	19
Perth	314	74
Peterhead	1435	437
Plymouth	1589	752
Poole	1538	280
Portsmouth	2071	87
Port Talbot	6789	1947
Ramsgate	1339	191
River Wharves, Hull & Humber	8299	5128
River Wharves, Ouse	920	48
River Wharves, Trent	3784	1252
Scapa Flow	18109	15972
Seaham	897	438
Shureham	2682	832
Southampton	25162	21583
Stranraer	2011	-
Sullom Voe	59042	59019
Sunderland	2511	1364
Swansea	5220	3911
Tees & Hartlepool	30556	18955
Teignmouth	608	75
Tyne	5421	3342
Whitby and Scarborough	222	-
Whitehaven	457	-
Wisbech	221	24
Workington	574	331

STATUS OF MAIN PORT IN AREA

NATIONAL DOCK LABOUR SCHEME

Nationalised

Local Authority

Public Trust

Private

IN

OUT

▲

△

◆

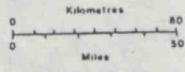
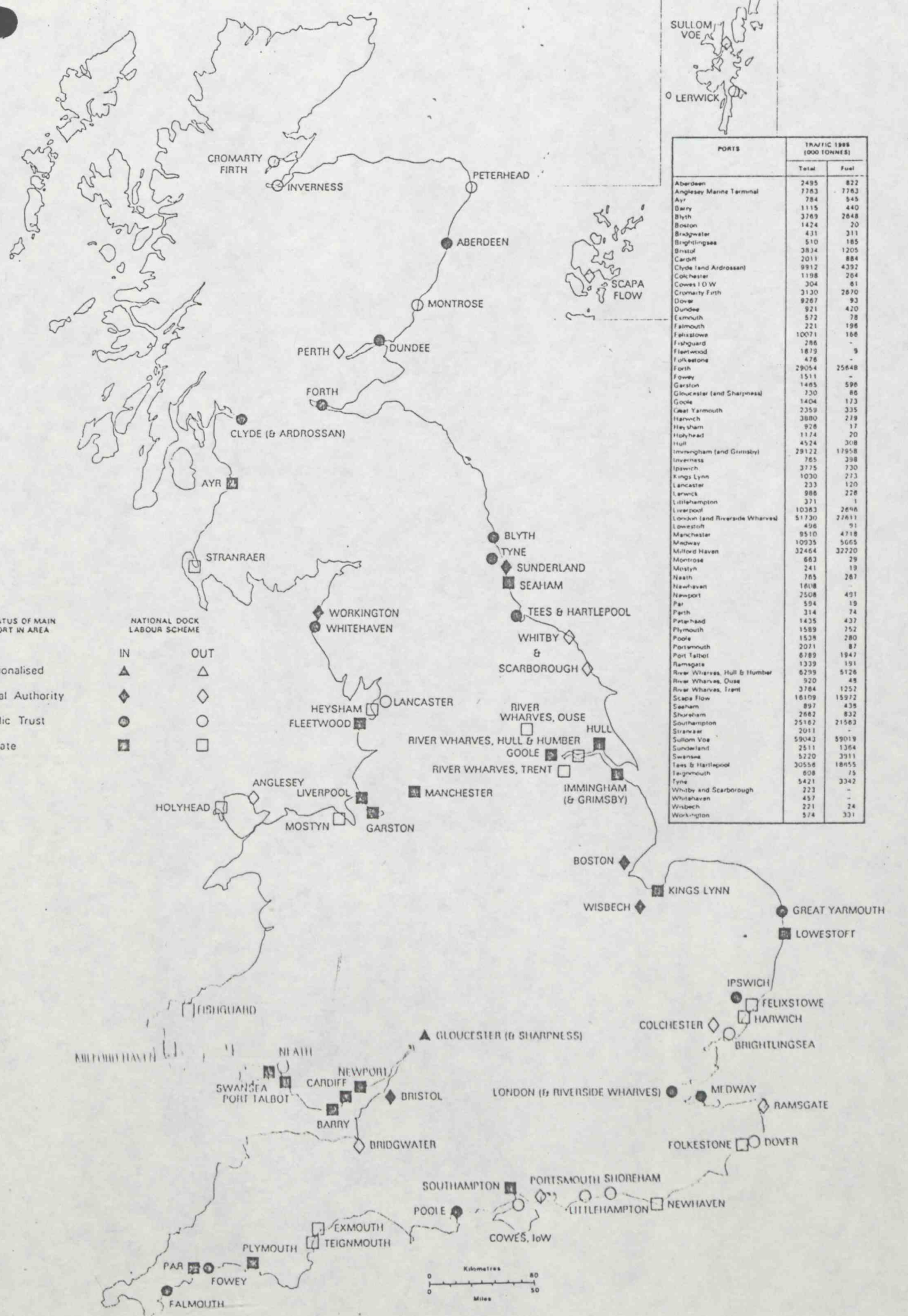
◇

●

○

■

□



PRINCIPAL PORTS OF GREAT BRITAIN

	<u>'000 tonnes handled 1985</u>	<u>Comments</u>	<u>Approx number of RDWs at end 1986</u>
Aberdeen	2495		185
Anglesey Marine Terminal	7763	All oil. To be closed down soon.	No manpower.
Ayr	784	$\frac{2}{3}$ coal.	16
Barry	1115		65
Blyth	3769	$\frac{2}{3}$ coal.	50
Boston	1424		85
Bristol	3834		485
Cardiff	2011		170
Clyde (incl. Ardrossan)	9912	Includes ore and coal for Ravenscraig.	195
Colchester	1198		NS
Cromarty Firth	3130	Mostly crude oil exports.	NS
Dover	9267	Mainly ro/ro.	NS
Dundee	921		90
Felixstowe	10071	Mostly containers and ro/ro.	NS
Fleetwood	1879	Mostly ro/ro.	90
Forth	29054	87% crude oil and oil products.	290
Fowey	1511	All china clay.	50
Garston	1465		130
Goole	1404		165
Great Yarmouth	2359		100
Harwich	3880	Mostly containers and ro/ro.	NS
Heysham	926		NS

Holyhead	1174	Mostly containers and ro/ro.	NS
Hull	4524		730
Immingham/Grimsby	29122	Feeds many heavy industries.	740
Inverness	765		NS
Ipswich	3775	$\frac{2}{3}$ containers and ro/ro.	120
King's Lynn	1030		50
Lerwick	986		NS
Liverpool	10363		1,600
London (including private wharves)	51730	45% oil. 20% coal and aggregates.	2,050
Manchester	9510	50% oil - Stanlow refinery.	190
Medway (includes private wharves)	10935	50% oil and coal.	520
Milford Haven	32464	Almost all oil.	NS
Neath	765		NS
Newhaven	1608		NS
Newport	2508		250
Peterhead	1435		NS
Plymouth	1589		40
Poole	1583	55% ro/ro.	85
Portsmouth	2971	75% container and ro/ro.	NS.
Port Talbot	6789	Ore and coal for steelworks.	40
Ramsgate	1339	Mainly ro/ro.	NS
River Wharves - Humber, Ouse, Trent	10983	Privately owned.	NS
Scapa Flow, Orkney	16109	All oil.	NS
Seaham	897		15
Sharpness	730		55

Shoreham	2662		NS
Southampton	25162	Oil, containers, cereals predominate.	675
Stranraer	2011	Ro/ro.	NS
Sullom Voe, Shetland	59043	All oil.	NS
Sunderland	2511	Coal and oil products predominate.	35
Swansea	5220		100
Tees & Hartlepool	30566	Feeds many heavy industries.	560
Tyne	5421	40% coal.	120

NS = Non Scheme

