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PREM 19/1884

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The Parliamentary Maritime  
Group.

PARLIAMENT.

NOVEMBER 1985.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>7.11.85.</del>							
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<del>30.6.86</del>							
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10 DOWNING STREET

From the Private Secretary

8 July 1986

MEETING WITH SIR EDWARD DU CANN

The Prime Minister this afternoon met Sir Edward du Cann at his request.

Sir Edward said that the All-Party Maritime Affairs Groups now numbered over 100 members and was continuing to grow. It was likely soon to begin to gather members from the European Assembly. It had been started by Mr Callaghan, Dr Owen and himself out of concern over the declining merchant marine in Western Europe and particularly in the United Kingdom, which was also dragging down ancillary industries. The United Kingdom Presidency of the Community offered a tremendous opportunity to take initiatives to help shipping which would gain wide support in the United Kingdom, in the Community generally and possibly even in Japan.

The Prime Minister pointed to the restrictions which other countries placed on cabotage, which the UK was pressing to have removed, to the considerable port charges in the United Kingdom and to restrictive practices imposed by the National Union of Seamen. Competitive subsidies would only tend to add to the problems. Sir Edward du Cann felt that the gap in costs was too large to be dealt with by changes in the rules on cabotage, port dues and the like, and that leadership and more constructive ideas were required. The European Community could for example adopt stronger state control of its ports, using safety standards and other means to ensure the survival of European shipping. There was now a tremendous opportunity to tackle the problem in ways which would go with the grain. Sir Edward said that he would send the Prime Minister a note on the possibilities.

There was no discussion of the salary of the Comptroller and Auditor General.

I am copying this letter to Michael Gilbertson (Department of Trade and Industry), Colin Budd (Foreign and Commonwealth Office) and Tony Kuczys (HM Treasury).

Richard Allan Esq  
Department of Transport.

David Norgrove  
CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

7 July 1986

**PRIME MINISTER'S MEETING WITH  
SIR EDWARD DU CANN**

Thank you for your letter of 7 July with the further briefing for the Prime Minister's meeting with Sir Edward du Cann. This was very helpful.

May I say for future occasions that it is often more helpful to the Prime Minister to have a pithy statement of the facts about a problem and a description of the Government's past policies than to have a line to take stated at length. She will of course welcome a proposed line to take but she is often familiar with that whereas the salient facts add the bite to the presentation of the Government's side of the discussion.

(David Norgrove)

Jonathan Cunliffe, Esq.

CC/BLUP



BLUP only

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

David Norgrove  
Private Secretary to the Prime Minister  
No 10 Downing Street  
London  
SW1

7 July 1986

Dear David,

**MEETING WITH SIR EDWARD DU CANN**

Your letter of 30 June requested briefing from the Treasury on the question of Sir Gordon Downey's salary.

I attach some briefing. You will see that we would advise the Prime Minister to continue to resist the proposition that the C&AG's salary should be linked to that of the Permanent Secretary of the Treasury. We continue to believe that linkage with a departmental Permanent Secretary remains appropriate. The Prime Minister should be aware that there are indications that the Public Accounts Commission may try and arrange for an MP to move a Resolution to fix the C&AG's salary in the way that they propose. Although it is normal for such Resolutions to be moved by the Government there is nothing to stop an ordinary MP moving such a Resolution. We do not think that this prospect should in any way affect the line that the Prime Minister should take with Sir Edward du Cann but it is obviously something that we should be prepared for.

Yours

Cathy

CATHY RYDING

THE COMPTROLLER AND AUDITOR GENERAL'S SALARY

LINE TO TAKE

a. Unconvinced that C&AG's salary should be increased to that of Permanent Secretary of the Treasury.

(b) No fresh arguments in PACs report. Room to pay other grades more, if warranted by recruitment and retention and performance criteria, and still maintain adequate differentials. In terms of overall job weight hard to argue that C&AG's job is on a par with that of the Treasury Permanent Secretary.

(c) Increasing the C&AG's salary by £10,300 would be further damaging publicity about top salaries.

(d) Remain willing to consider an increase in the C&AG's salary to a higher level if the present Comptroller's successor warrants this on recruitment grounds.

Background Note

The C&AG's salary must, under the National Audit Act 1983, be linked to an existing civil service grade. And, under the Parliamentary and Other Pension and Salaries Act 1976 it must be fixed by Resolution of the House. This is normally done on a Government motion, although any MP could lay one. Thus, the Public Accounts Commission has no power to fix the C&AG's salary.

2. At present he receives the salary of a departmental Permanent Secretary. (£62,100 from 1 July). The PAC's second report in 1984 recommended that he should be paid the same as the Treasury Permanent Secretary. (£72,400 from 1 July). In 1985 the Government asked the TSRB for advice on this question. They recommended that the C&AG's salary should be linked to that of the higher of the two grades of departmental permanent secretary which it had proposed. However, the Government did not agree to the proposed differentials between departmental Permanent Secretaries.

3. Following the Government's decisions on the TSRB's recommendations, the Prime Minister wrote to Sir Edward du Cann on 7 August 1985 re-stating the Government's view that the C&AG's salary should remain linked to that of a departmental Permanent Secretary. (Copy attached). In an earlier letter of 18 July 1985 she had said that the Government accepted that if at some future date it was decided to appoint a Comptroller from outside the civil service the need could arise to pay a higher salary. (Sir Gordon Downey reaches the normal retirement age of 60 in April 1988).

4. On 19 December 1985 Sir Edward du Cann repeated the PAC's views about the C&AG's salary and said that the Commission would try and table their own Resolution to resolve the matter. The Prime Minister again re-stated the Government's view that a higher salary could be considered for Sir Gordon Downey's successor and agreed to discuss the matter again with Sir Edward after the Commission's next report was published.

5. The third report of the PAC was published on 24 June. It reaffirmed the recommendation that the C&AG's salary should be linked with that of the Treasury Permanent Secretary. The report also says:

"In our view there should be no question of the Government's standing in the way of the Commission's ability to exercise full responsibility on behalf of the House, for determining the resource needs of the C&AG and the NAO."

6. Taken with Sir Edward's statement in his December 1985 meeting with the Prime Minister this could mean that the Commission are thinking of putting up an individual MP to table a Resolution making the linkage.

7. The Commission have given the following reasons for aligning the salary of the C&AG with the Treasury Permanent Secretary.

a. Enhanced role of C&AG (following the National Audit Act) justifies his elevation to the highest rank in the public service.

#### Comment

The Commission are exaggerating the enhancement of his role by the NAA. The 1983 Act formalised value for money audits as being one of the National Audit Office's duties but it is arguable that this was simply formalising work they should have been doing anyway.

b. Higher salaries cannot be paid to more junior staff because it would compress differentials within NAO senior management.

#### Comment

A table setting out existing differentials in the NAO compared with the civil service is set out below. There is ample scope for moving up pay rates for more junior



staff while still maintaining adequate differentials within NAO. As the report recognises, performance pay has recently been introduced for the third most senior grade within NAO. It is not obvious why the C&AG needs a £12,000 lead over his deputy (within the civil service the current differential between Permanent Secretary and Second Permanent Secretary is £5,300. A performance-related pay structure will usually involve narrowing of differentials, and quite rightly. This will be the case in the senior civil service when discretionary pay is introduced.

c. The head of the Government Accountancy Service is paid £75,000.

Comment

That is an individual salary paid to recruit a particular individual. The Prime Minister has made it clear that a higher salary can be considered for Sir Gordon Downey's successor, if the individual concerned merits it.

d. C&AG should not be paid less than the head of a department he audits.

Comment

There is no compelling logic here. In overall job weight terms the Treasury Permanent Secretary's job is clearly heavier than that of the C&AG.

APPENDIXNAO AND CIVIL SERVICE SALARY DIFFERENTIALS

	<u>National Audit Office</u>		<u>Civil Service</u>	
	<u>1.3.86</u>		<u>1.3.86</u>	<u>1.7.86</u>
C&AG	60,000	Perm Sec to Treasury	70,000	72,400
Deputy C&AG	48,000			
Assistant Auditor- General <sup>(3)</sup>	32,000-42,000	Perm Sec	60,000	62,100
		2nd Perm Sec	55,000	56,800
Director <sup>(3)(4)</sup>	25,815-34,020	Grade 2(DS)	40-42,000	41,500-43,500 <sup>(1)</sup>
		Grade 3(US)	31-34,000	32,350-35,350 <sup>(2)</sup>
		Grade 5(AS) <sup>(4)</sup>	23,239-26,898	25,095-28,430

Notes

- (1) Existing incremental scale. Maximum discretionary pay point (when introduced) £50,150.
- (2) Existing incremental scale. Maximum discretionary pay point (when introduced £40,000).
- (3) Performance related ranges.
- (4) Includes London Weighting.

CHIEF SECRETARY	
FEC.	22 JUL 1985
ATION	Mr Corcoran
COPIES TO	PPS, Mr S. Peter M. D. D.
	Mr Bailey, Mr Kemp
	Mr Judd, Mr Watson
	Mr Gilhooly, Mr P. G. Fair



10 DOWNING STREET

THE PRIME MINISTER

18 July 1985

Mr Culpin, Mr Raynes  
Mr Woodall

My dear Edward,

As you will remember, we agreed to ask the Top Salaries Review Body, in the course of this year's review, to consider and advise the Government on the salary of the Comptroller and Auditor General. Peter Rees told you that the Government would wish to look at the position of the Comptroller and Auditor General in the light of its decisions on the main TSRB recommendations. He promised to provide the Commission with the TSRB's report on the salary of the Comptroller and Auditor General before the Government announced any decisions on it.

I am today announcing the Government's decisions on the main TSRB report. The report is being published as a Command paper and will be available in the Vote Office this afternoon. I attach a copy of the Written Answer in which I am announcing the Government's decisions.

I also attach a copy of Lord Plowden's letter to me setting out the TSRB's recommendations on the salary of the Comptroller and Auditor General. Having recommended in their main report a new, higher, salary rate for the Permanent Secretaries of the Ministry of Defence, the Department of Health and Social Security and the Home Office, they recommend that the Comptroller and Auditor General's salary should be linked to that point.

We have decided, as you will see, not to implement the Review Body's recommendation for a separate salary point for the three Permanent Secretaries concerned. This makes it

necessary to reconsider the position of the Comptroller and Auditor General. The Government is minded to maintain the present link with the Permanent Secretaries in charge of Departments. On this basis the Comptroller and Auditor General's salary would be increased to £52,750 from 1 July 1985 and £60,000 from 1 March 1986. This, of course, would represent an increase of over 30 per cent in the Comptroller and Auditor General's present salary.

The Government accept the view of the TSRB that, if at some future date it were decided to recruit a Comptroller and Auditor General from outside the Civil Service, the need could arise to pay a higher salary.

Before taking a final decision on the salary of the Comptroller and Auditor General, the Government would welcome the views of the Public Accounts Commission.

Yours ever  
Nagant

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The Rt. Hon. Sir Edward du Cann, KBE, MP.



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22 KINGSWAY  
LONDON WC2B 6JY

Telephone 01 405 5944

The Rt Hon Margaret Thatcher MP  
10 Downing Street  
LONDON SW1

18 June 1985

*Dear Prime Minister,*

**TOP SALARIES REVIEW BODY: COMPTROLLER AND AUDITOR GENERAL**

The Secretary of the Cabinet wrote to me on 25 April to ask that, in addition to our normal remit, the TSRB should this year consider and advise the Government on the salary of the Comptroller and Auditor General (C&AG). I am writing to inform you of our conclusions on this matter. In looking into it, we have taken account of evidence from HM Treasury on behalf of the Government, the C&AG himself and Sir Edward Du Cann as Chairman of the Public Accounts Commission.

The responsibilities of the C&AG are set out in the National Audit Act 1983. In accordance with the relevant legislation the salary of the C&AG is linked to that of a civil service grade and is, at present, the same as that of a Permanent Secretary.

Against the background of the introduction of performance-related pay arrangements for staff of the National Audit Office (NAO), the Public Accounts Commission considered that the pay of senior management also needed to be restructured so as to allow for the extension of performance-related pay up to the level of Assistant Auditor General while providing for adequate differentials. In order to avoid the undue compression of differentials, and in recognition of his enhanced role, they concluded that the salary of the C&AG needed to be raised, and proposed that it should be equated with that of the Permanent Secretary of the Treasury (who together with the Secretary of the Cabinet is paid at a higher rate than Permanent Secretaries generally), as representing the highest-paid civil servant.

We have carefully examined all the evidence. We accept that the role of the C&AG, and of the National Audit Office under him, has undergone substantial development in recent years, with increased emphasis on the systematic examination of areas of government activity, and the improvement of systems and approaches, rather than the pursuit of a more limited audit function. As we have made clear in our general report, we also think it important, among other factors, that a salary structure should provide satisfactory pay differentials between different levels of management. Equally, we believe it to be appropriate that the salary of the C&AG should continue to be linked to an appropriate level of pay within the Civil



Service - to change this would in any case require legislation - and in considering what is the appropriate level for this purpose, we have had to examine the general weight of the job in relation to that of top civil service appointments.

In doing so, we have had the advantage that this year we have undertaken a systematic examination and evaluation of Permanent Secretary jobs throughout the Civil Service. In the light of this, we have judged, as you will have seen from our general report, that in future there should be greater differentiation in the pay of Permanent Secretaries, and for this purpose have divided them into 5 levels (including Second Permanent Secretaries) as follows:

Salary Level 1 : Head of the Civil Service

Salary Level 2 : Permanent Secretary to:

HM Treasury  
Secretary of the Cabinet (if a single post)

Salary Level 3 : Ministry of Defence  
Department of Health and Social Security  
Home Office

Salary Level 4 : All other full Permanent Secretary posts.

Salary Level 5 : All Second Permanent Secretary posts.

In the light of the detailed evidence we have received on the developing role of the job of the C&AG, it is our view that in future his salary should be linked to the posts at level 3 above, and we so recommend.

The appropriate salary for this post as at 1 April 1985 is, therefore, in our judgment £65,000 per annum. In the event of it being decided at some time in the future to fill the post from outside the Civil Service, the need could arise to pay a higher salary, bearing in mind the high levels of remuneration which prevail in the upper reaches of the accountancy profession; but we have thought it right to form our recommendation on the basis of the position as we find it at present.

*John Smith*  
*R. Plowden*

PLOWDEN



10 DOWNING STREET  
CHIEF SECRETARY

THE PRIME MINISTER

REC. -7 AUG 1985

7 August 1985

ACTION	Mr Coscova
COPIES TO	MS, MST, Mr Peter Mitchell
	Mr Barclay, Mr Keen
	Mr Judd, Mr Watson
	Mr Galloway, Mr Poff Davis

Mr Reynel  
Mr Woodall

*Year Edward*

Thank you for your letter of 24 July in which you conveyed the views of the Public Accounts Commission about the salary of the Comptroller and Auditor General. We could not meet to discuss this matter owing to the summer holidays and I therefore agreed to send you this letter.

As the Commission recognise, following our decisions on the main TSRB report, the effective choice on the Comptroller and Auditor General's salary under present legislation is to make a new link with the Permanent Secretary to the Treasury or to maintain the present link with Permanent Secretary. I believe that to make the link to any intermediate point would require, not just a Resolution, but Primary legislation.

I have thought very carefully about what you say about linking the Comptroller and Auditor General with the Permanent Secretary to the Treasury. However, the TSRB did not recommend such a link and, in view of that and our decision on the proposed salary level 3, I do not think this would be appropriate. If such a link were established, the salary of the Comptroller and Auditor General would be raised by 54 per cent, compared with 32 per cent if the link is with Permanent Secretary. I am conscious of the desire of the Commission to ensure that there is adequate headroom to allow other salary changes in the NAO but the rise of £14,500 a year for the Comptroller and Auditor General, which follows



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

David Norgrove Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

PM seen  
File

7 July 1986

Dear David,

PRIME MINISTER'S MEETING WITH SIR EDWARD DU CANN : 8 JULY 1986

I attach some supplementary briefing for the Prime Minister's meeting with Sir Edward tomorrow. It covers the decline in the fleet, what we have done to help the shipping industry and why we have not done more. But officials here have asked me to point out that these points have all been made to Sir Edward on earlier occasions and have had little effect. Moreover, we are not on particularly strong ground on our civil resupply capability, which is why my Secretary of State will be putting proposals to E(A) before the Recess. You should also note that Sir Edward has written a pamphlet on shipping, which he offered to the CPC for publication. I understand that the CPC have refused this request. The Conservative Research Department helpfully made a hidden copy of the pamphlet available to us. This is attached, along with an analysis by officials of Sir Edward's main points and their relation to Government policy. I should be grateful if you could treat the pamphlet in confidence : Sir Edward is obviously unaware that we have a copy, and if you could let me have it back after the Prime Minister's meeting

Yours Sincerely

Jon Cunliffe

P.S. The earlier briefing, of which you have a copy is included for completeness. A copy of the new material goes to John Whybrew.

JON CUNLIFFE  
Private Secretary





## PRIME MINISTER'S MEETING WITH SIR EDWARD DU CANN

### SUPPLEMENTARY NOTE

#### Decline of the Fleet and Aid to Shipping

It is entirely unrealistic, in the circumstances of gross over-supply of shipping and intense competition, to expect the British shipping industry to keep all its ships on the UK Register. Our system of taxation and of national insurance and the rates of pay and allowances that have been negotiated for our crews simply do not allow owners to compete in the deep-sea tanker and dry bulk fields in particular. The margin between operation on the UK and Bahamian flags, for instance, is up to £400,000 per vessel per annum.

There is no case for the tax payer subsidising this operation provided essential national interests can be safeguarded. The availability of vessels for the direct support of the armed forces is not currently a problem, though it may develop if the decline continues. Support for the civil population (ie supply of vessels to carry essential imports) gives more cause for concern. We have two basic ways of dealing with this:-

- i. NATO pooling (but will the pool be big enough? We are getting NATO to examine this).
- ii. Using flagged-out ships (but will the ships be manned by willing crews? The officers will be British if on Dependent Territory Registers - otherwise we will have to use seamen who have recently retired.)

**Confidential** : The Secretary of State for Transport is about to put to colleagues a plan for subsidising the use of vessels on certain Dependent Territory Registers as opposed to foreign registers, at modest cost to the taxpayer. The question of creating a Merchant Navy Reserve is also under consideration, on a slightly longer time-scale.



The problem is by no means peculiar to the UK. Other European fleets - Germany, Norway and Sweden for example - are much further down the road to operating under foreign flags.

Other European Governments - and the USA - do indeed give more help to their fleets. The industry was badly hit by the decision in the 1984 Budget to end the special capital tax regime for shipping investment and our failure to restore it - particularly 100% first year capital allowances - in subsequent budgets. But the Treasury argue that having rationalised the capital tax structure in 1984 it would be very dangerous to create a precedent by giving special treatment to shipping. And some concessions have been made:

- **1984** : 25% free depreciation in first year of acquisition of new ships, ie written off against any profits not just those from shipping operations (particularly helpful for large companies with a loss-making shipping subsidy).
- **1985** : 25% free depreciation in first year extended to acquisition of second-hand ships.
- **1986** : Business Expansion Scheme (BES expanded to cover ship chartering).

The GCBS want first year capital allowances restored, but we cannot create a precedent for this one industry.

**Confidential** : The Secretary of State is about to put to colleagues a scheme of investment grants for smaller vessels only, to match German and Dutch schemes.

European Community policy can help. In the course of our Presidency we propose to find ways of concluding a package which will give the EEC much more muscle in dealing with protectionism by other countries and which will resolve the cabotage (coastal trade) issue once and for all.



General protectionism is not the answer. Taken as a whole the greater part of UK shipping profits derive from cross-trading between foreign ports than from trade originating in the UK. General protectionsim, ie reserving UK trade for UK ships, would provoke retaliation which would badly damage our deep-sea operators.



## POINTS TO MAKE

### Defence Requirement

1. Generally have enough ships to meet direct defence needs. One or two specialised exceptions - we are looking at these.
2. Could mount a Falklands operation again : true some ships used in task-force no longer there and assembling fleet might take a little longer. But quite sure we could respond as effectively.
3. Should not look only at UK Register. All vessels flying UK flags (ie those on UK and UK dependent territory registers) can be requisitioned in time of war. For example, recent transfer of BP tanker fleet from UK to Bermudan register has not affected availability in time of war.
4. And ships not flying UK flag but beneficially owned in UK would probably be brought home by owners in time of war.

### Civil Resupply

5. More difficult issue. Depends on assumptions about duration of conflict.
6. In time of war, would be able to tap into pool of vessels of all NATO members for civil resupply purposes. Currently studying adequacy of NATO pool.

### Decline of the Fleet

8. Decline not as simple as it looks. Steepness of decline in recent years accentuated by artificial bulge in UK registrations during mid-1970's resulting from misguided Labour policies of subsidising UK register. These brought shipping not owned in UK onto UK register, much of which has left. Decline much less steep when compared to position in 1950s.



8. Decline a worldwide phenomenon. Brought about by over-supply which is result of bad decisions by bankers as well as subsidy and ship yards. Resulting over-capacity depresses rates and hurts shipping industry.

9. Different sectors affected in different ways. Much of decline in tonnage result of decline in tanker sector - effect of lower world oil usage.

#### Assistance to the Shipping Industry

10. John Moore looking at ways to ensure vessels available in times of tension and war and encouraging use and training of British officers and seamen. And have helped shipping in Budgets.

1984 - 25% first year allowance

1985 - extended to second-hand ships

1986 - BES to apply to ship chartering

11. But must be careful. Straightforward financial assistance would simply encourage over-supply - have seen the disastrous results of this course. Protectionism is not the answer. Our ship owners benefit more from cross-trading in others people's waters than from UK trading. Protectionism would invite retaliation and damage our industry.

12. Are working hard to liberalise EC cabotage: this will help our coastal and short sea operators. And close to agreement on EC package of retaliatory measures to counter protectionism by non-EC countries.



PRIME MINISTER'S MEETING WITH SIR EDWARD DU CANN

OBJECTIVES

To assure Mr de Cann that the state of both the merchant fleet and the shipbuilding industry are currently receiving close attention from Ministers.

To persuade him that the creation of a new Government department "to co-ordinate maritime affairs" is neither desirable nor practicable.

LINE TO TAKE

It is a mistake to conclude that the Transport Department is inactive over the state of merchant shipping. John Moore may be able to tell you something of what he is doing when you see him. But you will surely appreciate the difficulty of his task - of helping to arrest the decline while not contributing even further to the surplus of vessels.

There is already a high degree of co-ordination on maritime matters. On the war-time role of shipping for instance, Transport and Defence virtually operate as one. I am not sure that it would be in the general interest to reorganise Departments so as to brigade all our maritime functions together. Other problems would immediately appear - from the separation of shipping and civil aviation, for instance, and from the separation of responsibility for the marine equipment and other manufacturing industries.

There is indeed a problem over the availability of ships and men in war-time, and John Moore's work is directed particularly at dealing with this. But it is much more a question of whether we



and our NATO partners have the vessels to sustain the flow of essential imports into this country than whether we could, for instance, repeat the Falklands operation. On this last point, I agree that some of the vessels we used in the Task Force are no longer there, and a similar fleet could take a little longer to assemble but we are quite sure that if necessary we could respond with substantially the same effectiveness.

Department of Transport  
July 1986



PRIME MINISTER'S MEETING WITH SIR EDWARD DE CANN

BACKGROUND

Sir Edward asked to be allowed to bring his all-party Parliamentary Group to see the Prime Minister. The Prime Minister steered him in the direction of the Secretary of State for Transport but said that she would be prepared to see him (rather than his Group) after that meeting. He has asked to come before meeting Mr Moore.

2 Sir Edward's thesis is that the national interest requires a major injection of help to arrest the decline of the UK flag fleet, but apart from tax allowances he has not specified the means. He has usually rested on the contention that if the will is there, the means will be found, and his recipe for creating the will is to appoint a Minister to co-ordinate all maritime affairs in Government.

3 His main concerns are with the defence role of the merchant fleet ("we could not repeat the Falklands operation today"), with shipbuilding and with hydrography.

4 The Secretary of State for Transport is bringing to E(A) next week a paper containing two proposals for dealing with the problem of the declining fleet.

5 Copies of recent correspondence between the Prime Minister and Sir Edward are enclosed.



SHIPBUILDING

9.

Other shipbuilding countries

The UK shipbuilding industry is not alone in facing difficulties.

The Swedes have effectively abandoned merchant shipbuilding - despite having some of the most modern facilities in Europe. Ten years ago second world leader with 35,000 workers: now closing down industry altogether.

In Denmark two-thirds of shipyard jobs lost in 10 years.

The Dutch government refused to support their industry to build the sister ship to the large North Sea ferry won by Govan.

The Japanese are having to adjust to the shortage of orders. They have been cutting capacity since 1976, and are now considering a reduction of one third in the larger yards. That would entail over 20,000 job losses out of 60,000.

In South Korea job cuts of 7,000.

The Germans have cut their capacity by half since 1976 despite widespread use of soft credit to finance sales to developing countries.

The French are also cutting capacity. But the cost of maintaining their yards is reported to be very high. They do not at present have an aid regime agreed by the Commission. The Commission is, as with all Member States' aid regime, concerned to see that the level of support to the industry is matched by commitments to restructuring.

20 June 1986

KK7/17a

## International comparisons

In Japan job cuts likely to be 20,000 out of 60,000. In South Korea job cuts of 7,000.

### Sweden

Ten years ago second world leader with 35,000 workers: now closing down industry altogether. In Denmark two-thirds of shipyard jobs lost in 10 years.

### Labour Government record

- (i) Labour's support for shipbuilding amounted to £130 million compared with £1.5 billion since 1979.
- (ii) Labour had no answer to the problem of shrinking capacity. 20,000 job losses in merchant shipbuilding between 1974 and 1979.
- (iii) Labour policy of cancelling Trident would put 6,000 jobs in naval shipyards at risk.
- (iv) Problem of shipbuilding partly arises from excessive subsidy leading to excessive production. Labour policies are more of the same.

### Eric Varley quote

As Mr Varley, former Labour Minister said:

"The size of the industry ... depends ultimately on the ability of the industry to sell its product in world markets."

[Hansard 2nd December 1975, col 1448].

2nd June 1986

KK7/22

## SHIPBUILDING GENERALLY

### Points to make

- (i) Present state of shipbuilding industry not through lack of Government support - £1.5 billion since 1979.
- (ii) No point in scrap and build. Laid up tonnage is 40 million tonnes - more than twice world capacity to build of 18 million tonnes. In 1985 30 million tonnes of capacity was scrapped.
- (iii) No incentive for owners to build. Bulk cargo freight rates down one-quarter in last 10 years and tanker rates down by two-thirds.

*Better not to give examples - probably not suitable for Sunderland.*

(iv) [Public sector orders in prospect include fisheries protection vessel and Scottish ferry.] But public sector orders cannot be conjured out of thin air.

### Naval orders

This year Government will spend more than at any time in the last 20 years on production of ships and equipment for the Royal Navy. Currently 25 ships are on order, equivalent to £3½ billion. Since last June orders have been placed for:

- 2 Hunt class mine countermeasures vessels
- 1 Sandown class single role minehunter
- 1 Trafalgar class nuclear powered fleet submarine.
- 3 Upholder class diesel-electric patrol submarines.
- 1 auxiliary oiler replenishment vessel, and  
another announcement of 1 Trident submarine.

Value of these orders £1½ billion.

#9.

PRIME MINISTERS QUESTION TIME : 4 MARCH

BRIEF ON MERCHANT SHIPPING

## LINE TO TAKE

Changes in UK trading patterns and in world shipping conditions have led to the reduction in the British merchant fleet over the last decade. Some shipping sectors have been affected more seriously than others, and may continue to be so. But whilst I am aware of recent projections by the General Council of British Shipping, no official forecasts are made for the future size of the fleet. The Government continues to do all it sensibly can to help the retention of vessels by UK shipowners.

## BACKGROUND NOTE

## DECLINE OF FLEET

1 Fleet reduced by over 50% since 1975 peak, when exceptional fiscal conditions had encouraged expansion unsustainable in longer term. Decline brought about changes in UK trading patterns and in world shipping conditions. Our fleet is still 8th largest in world.

2 The UK fleet comprises various sectors operating in quite different markets. Some - passenger, ferries, and container - have held their own in difficult conditions; others are in areas in which we may continue to find it difficult to compete - eg tankers, which account for two-thirds of decline over the past decade.

3 Role fleet plays in support of defence and civil supply in time of emergency and war recognised, and subject to continuous planning and review.

## GOVERNMENT POLICY

4 As a major world trading nation, could not afford comparatively expensive shipping which would result if we took steps to avoid real competition.

5 Government's responsibility to ensure that real efforts towards adjustment being made by industry not thwarted by unfair competition. As a major cross-trading nation, best interests of fleet and seafarers lie in our policies designed to secure the widest and fairest world wide markets in which British shipping can compete. Hence our vigorous fight against protectionism, subsidy, non-commercial competition and unsafe vessels, in both international and cabotage trades.

6 So, we have reached agreement with West Germany on open cabotage; are pressing for progress on EC common shipping proposals; are seeking a wide international agreement including the USA on ways to stop protectionism and introduce reciprocal guarantees of complete access to trades; and are maintaining a high level of inspection of foreign vessels visiting UK ports.

## FLAGGING OUT

7 If companies decide to flag out to improve commercial viability, we cannot prevent this. Otherwise they might pull out of the business altogether, whereas flagging out retains some return to UK in remittance of profits and usually employment of seafarers. Have to remember substantial part of our fleet is foreign-owned.

## FISCAL

8 Within the wider scheme of tax reforms introduced in 1984, special attention has been given to the shipping industry. The industry has sought further special treatment in a submission to the Chancellor.

## GCBS PROJECTIONS

9 The General Council of British Shipping have recently projected that the end 1985 deadweight tonnage of the fleet will halve by either 1990 (worst case scenario) or 1995 (best case scenario). This realistically projects further significant reductions in tanker tonnage but does not take account of the current rate of increased scrapping, the fall in laid up tonnage and the potential spinoff effects of the current fall in oil prices - increasing demand for the transportation of crude and reducing operational costs. Nor does it take account of the growing importance of UK owned tonnage on other registries. Meaningful forecasts of future fleet size are very difficult to construct, and the Government does not attempt to do so.

PRIME MINISTER'S MEETING WITH SIR EDWARD DE CANN

BACKGROUND

Sir Edward asked to be allowed to bring his all-party Parliamentary Group to see the Prime Minister. The Prime Minister steered him in the direction of the Secretary of State for Transport but said that she would be prepared to see him (rather than his Group) after that meeting. He has asked to come before meeting Mr Moore.

2 Sir Edward's thesis is that the national interest requires a major injection of help to arrest the decline of the UK flag fleet, but apart from tax allowances he has not specified the means. He has usually rested on the contention that if the will is there, the means will be found, and his recipe for creating the will is to appoint a Minister to co-ordinate all maritime affairs in Government.

3 His main concerns are with the defence role of the merchant fleet ("we could not repeat the Falklands operation today"), with shipbuilding and with hydrography.

4 The Secretary of State for Transport is bringing to E(A) next week a paper containing two proposals for dealing with the problem of the declining fleet.

5 Copies of recent correspondence between the Prime Minister and Sir Edward are enclosed.

PRIME MINISTER'S MEETING WITH SIR EDWARD DU CANN

OBJECTIVES

To assure Mr de Cann that the state of both the merchant fleet and the shipbuilding industry are currently receiving close attention from Ministers.

To persuade him that the creation of a new Government department "to co-ordinate maritime affairs" is neither desirable nor practicable.

LINE TO TAKE

It is a mistake to conclude that the Transport Department is inactive over the state of merchant shipping. John Moore may be able to tell you something of what he is doing when you see him. But you will surely appreciate the difficulty of his task - of helping to arrest the decline while not contributing even further to the surplus of vessels.

There is already a high degree of co-ordination on maritime matters. On the war-time role of shipping for instance, Transport and Defence virtually operate as one. I am not sure that it would be in the general interest to reorganise Departments so as to brigade all our maritime functions together. Other problems would immediately appear - from the separation of shipping and civil aviation, for instance, and from the separation of responsibility for the marine equipment and other manufacturing industries.

There is indeed a problem over the availability of ships and men in war-time, and John Moore's work is directed particularly at dealing with this. But it is much more a question of whether we

and our NATO partners have the vessels to sustain the flow of essential imports into this country than whether we could, for instance, repeat the Falklands operation. On this last point, I agree that some of the vessels we used in the Task Force are no longer there, and a similar fleet could take a little longer to assemble but we are quite sure that if necessary we could respond with substantially the same effectiveness.

Department of Transport  
July 1986



APPOINTMENTS IN CONFIDENCE



10 DOWNING STREET

20 DEC 1985	
FROM	Principal Private Secretary
TO	Mr Boys
	CX MST Sir Peter Middle
	Mr Butler Mr Kemp
	Mr Judd Mr Watson
	Mr Callaghan Mr Morris
	Mr Woodall

From the Principal Private Secretary

19 December 1985

Dear Richard,

SALARY OF THE COMPTROLLER AND AUDITOR GENERAL

Sir Edward du Cann, Chairman of the House of Commons Commission, called upon the Prime Minister, at his request, on 19 December to report to her the views of his Commission on the salary of the Comptroller and Auditor General.

Sir Edward said that since he had been Chairman of the Public Accounts Committee, the National Audit Office, as it was now called, had grown immeasurably in prestige and professionalism. It was now the Government's best ally for getting value for money - indeed, value for money audits comprised one-third of the Office's work (though the aim, if resources permitted, will be to increase this to one half). The value of the Office was diminished, however, because it was 10 per cent below strength, new entrants were often of insufficiently high calibre and there was a 12 per cent wastage. This was a result of inadequate levels of pay and the large accountancy firms drawing on the Office for talent (which in itself was a tribute to the Office).

An especial problem was the salary of the Comptroller and Auditor General, who the Commission believed should be remunerated on the same scale as the Permanent Secretary to the Treasury. The Commission intended to draw attention to this issue in their annual report, pointing out that the salary of the Comptroller was Commission business and that they were in disagreement with the Government about it. He would, however, not want this tactic to be adopted unless the Prime Minister thought it would be helpful. Sir Edward had been instructed to say that the Commission would seek to place a resolution on the Order Paper which would bring the Comptroller's salary to the same level as that of the Treasury Permanent Secretary.

The Prime Minister replied that the tactic outlined by Sir Edward would not in her view be at all helpful, especially in view of the difficulties created for the Government by the recent TSRB report. The Government could not welcome anything which would bring to attention again the recent TSRB salary increases. One possibility would be

the link with Permanent Secretary pay, will clearly help a great deal for this purpose. The gap between the salary of an Assistant Auditor General and that of the Comptroller and Auditor General would widen from around £14,000 to £26,000, which should allow considerable room for performance related pay initiatives. I doubt whether, in advance of the TSRB report, the Commission were counting on a larger increase than this.

I am afraid I come back, therefore, to the view I set out in my letter of 18 July, and I hope that on reflection the Commission will agree. If, however, this does not prove possible I will be happy to discuss the issue with you. Perhaps

you would let me know how you and your colleagues feel.

Yours  
Comman

Raymond

The Rt. Hon. Sir Edward du Cann, K.B.E., M.P.

to increase the Comptroller's salary to the higher level  
the calibre of the present Comptroller's successor warrant  
this.

Sir Edward asked the Prime Minister to consider the  
views of his Commission as he had explained them. It was  
likely that the Commission would make some reference to this  
issue in their Annual Report and would indicate that the  
Government was still considering the issue. He would seek a  
further meeting with the Prime Minister after the  
Commission's report had been published. The Prime Minister  
agreed that they should discuss the matter again.

I am copying this letter to Michael Stark (Cabinet  
Office).

*As usual*

Nigel Wicks

N L WICKS

Richard Broadbent, Esq.,  
Chief Secretary to the Treasury's Office

CONFIDENTIAL  
APPOINTMENTS - IN CONFIDENCE

PRIME MINISTER

MEETING WITH SIR EDWARD DU CANN

Sir Edward du Cann asked you to see the All Party Parliamentary Group on Maritime Affairs. You directed him to John Moore, but Sir Edward has asked to see you first. He has not given notice of what he wants to discuss with you. Other possible subjects are the salary of the Comptroller and Auditor General and short fat ships.

Shipping

Sir Edward argues for major help to arrest the decline of the UK flag fleet. The only concrete suggestions he has made are to restore 100 per cent first year tax allowances and to appoint a Minister to co-ordinate all maritime affairs in Government. His main concerns are the defence role of the merchant fleet, shipbuilding and hydrography.

The facts are these. The UK flag fleet has fallen by <sup>well</sup> over half since 1975. Two-thirds of the loss has been in tankers. The capacity of ferry and passenger ships is more or less unchanged and the container fleet has slightly increased. So although the decline is very large it masks different performances in different sectors.

1975 was also a peak year. Capacity had been boosted artificially by fiscal incentives - to the extent that shipping not owned in the UK was brought onto the UK register. Incentives in the rest of the world added to our own problems by adding to surplus capacity. Other reasons for the decline are the switch of trade to Europe from the Commonwealth, containerisation, and falling oil imports.

You will want for the most part to listen to Sir Edward. But new bureaucracy is certainly not needed. Sir Edward also should know from your own comments in the House that the Government are taking a very close interest in shipping and shipbuilding.

Department A  
Transport  
how say  
68%

2/3

If Sir Edward presses you on the abolition of 100 per cent first year allowances you could say that these were part of a reform which in its nature was designed to operate across the board. But the 1984 Finance Act allowed special flexibility for depreciation of ships, the 1985 Finance Act extended that to second hand ships and enlarged consortium group relief, and the 1986 Finance Bill introduced a new scheme to enable ship chartering to benefit from the business expansion scheme.

You will remember that Mr. Moore has in mind to make proposals designed to help British shipping. As last heard he was considering special taxation treatment, special credit terms and direct investment grants as possible ways of offering assistance. You and others were sceptical at last week's E(A).

See also John Wybrew's note attached.

#### Salary of the C&AG

Sir Edward and the Public Accounts Commission continue to press for the C&AG to be paid the same as the Permanent Secretary to the Treasury. He has sent you a further letter (copy attached).

The points to make here include:

- (i) There is room to pay other NAO grades more, if warranted by recruitment and retention and performance criteria, and still maintain adequate differentials. In terms of overall job weight hard to argue that C&AG's job is on a par with that of the Treasury Permanent Secretary.
- (ii) Increasing the C&AG's salary by £10,300 would lead to further damaging publicity about top salaries.
- (iii) The Government will be willing to consider an increase in the C&AG's salary to a higher level if the present \_\_\_\_\_

Comptroller's successor warrants this on recruitment grounds.

There are some indications that the Public Accounts Commission may try to arrange for an MP to move a resolution to fix the C&AG's salary at the level they propose. Whilst there is no direct evidence of this, if Sir Edward raises it you could point out that action of this kind would stir up again all the arguments about the TSRB.

Short Fat Ships

Sir Edward wrote to you about the appointment of Professor Caldwell as Chairman of the Short Fat Ships Inquiry. You saw over the weekend the MOD's comments and you could say that you will be replying very soon.

*Mango  
Duty Desk.*

*df* David Norgrove

7 July 1986

JA2AAY

MEETING WITH SIR EDWARD DU CANN

It may be worth defining the common ground and then exploring the essential difference between the Government's merchant shipping policy and that recommended by Sir Edward and his all-party Parliamentary Group.

Of course the Government accepts the need to make adequate practical provisions to support our defence capability with ready access to the right merchant ships. The key question is whether this necessarily requires a substantial fleet of British-registered merchant ships manned by British crews - and subsidised to compensate British ship owners for going beyond their normal commercial interests.

Left to their own commercial instincts, our private sector ship owners - ever an enterprising, profit-conscious lot - have made an impressive job of coping with the difficulties of huge world surpluses of many types of shipping capacity. They have scrapped or sold capacity in areas offering little long-term prospect of a return to profitability. Some have transferred their ships to foreign flags so as to make considerable cost savings from employing foreign crews. British shipowners have concentrated on the relatively more rewarding specialised outlets for their skills and enterprise. Some, like P&O and Trafalgar House, still see ships as a profitable core business. Indicative of this, P&O

recently offered nearly £150 million to increase its holding in Overseas Containers (OCL) from 47% to 100%. Last year, OCL made record pre-tax profits of £70 million.

While anxious to support British shipowners in fair competition with their foreign counterparts, the Government remains convinced that blanket subsidies would not be conducive to a healthy commercial response to change.

How then should we meet our defence requirements:

- firstly, by establishing how much of the shortfall of specific types of vessel can be made up through NATO pooling arrangements or secure arrangements with British owners of ships (eg oil companies like BP) using foreign flags and foreign crews;
- secondly, by tendering competitively for the provision of back-up support from specific types of ship manned by British crews.

Possible areas for useful discussion

What handicaps against fair competition between British ships and foreign competition might justifiably be reduced or removed:

- Port dues (CF Antwerp and Rotterdam)?







*Rec'd Y/L  
cc Prof Griffiths*

10 DOWNING STREET

*From the Private Secretary*

30 June 1986

MEETING WITH SIR EDWARD DU CANN

Sir Edward du Cann, as you know, asked the Prime Minister if she would receive an All-Party Parliamentary Maritime Group. The Prime Minister refused. Sir Edward has, however, asked to see the Prime Minister on his own before any meeting with your Secretary of State and the Prime Minister agreed to do so. The meeting is scheduled for Tuesday 8 July at 1615. I should be grateful if you could provide briefing please by 7 July.

Could the Treasury also please provide briefing on the question of Sir Gordon Downey's salary in case Sir Edward du Cann mentions this.

I am copying this letter to Michael Gilbertson (Department of Trade and Industry) and Tony Kuczys (H.M. Treasury).

*DA*

DAVID NORGRÖVE

Richard Allan, Esq.,  
Department of Transport.

PRIME MINISTER

MEETING WITH SIR EDWARD DU CANN

You have agreed to see Sir Edward du Cann having refused to see him with the All-Party Parliamentary Maritime Group. He asked to see you before any meeting with John Moore.

You mentioned that you thought Sir Edward would wish to talk about other matters as well as shipping.

But would you like John Moore to be present at the meeting?

No

-you will -

Richard Nixon

DLN

D.N.

25 June 1986

SLH/35



10 DOWNING STREET

23rd June, 1986

Dear Edward,

I am delighted to confirm that the Prime Minister is looking forward to seeing you in her room at the House of Commons on Tuesday, 8th July at 4.15pm.

Yours ever  
Michael

MICHAEL ALISON

The Rt Hon Sir Edward du Cann KBE MP

PRIME MINISTER

EDWARD DU CANN

You will recall that Sir Edward du Cann asked if you would receive the All Party Parliamentary Maritime Group. You steered him in the direction of John Moore saying that you did not normally receive All Party groups but holding out the possibility of his meeting with you subsequently. He has now returned to the charge and asked for a meeting with you just for him before any meeting with John Moore. In view of this I imagine that you will want to agree. But in view of the state of the diary I suggest that we offer him a time in mid-July.

Agree to offer a meeting on this basis?

*Handwritten initials*

*Handwritten signature*

TF

219 3442

19 June 1986

Tuesday 8th July  
4.15pm



10 DOWNING STREET

19th June, 1986

*Dear Edward,*

Thank you for your letter of 9th June to the Prime Minister, in which you ask for a date to come see the Prime Minister about matters of concern to the Parliamentary Maritime Group.

I shall be in touch with you again shortly.

*Yours ever  
Michael*

MICHAEL ALISON

The Rt Hon Sir Edward du Cann KBE MP

From the Rt Hon Sir Edward du Cann, KBE, MP



HOUSE OF COMMONS  
LONDON SW1A 0AA

POLITICAL?

R10/6 PPS

9th June 1986

*Rt Hon Margaret*

Thank you for your letter about the Parliamentary Maritime Group.

I have talked to my colleagues and to Jim Callaghan and David Owen in particular (they were joint founders with me of the Group, as I think you will know) and we feel perhaps the best thing would be if I were to come and see you on my own in the first instance on behalf of the Group.

Could your office please let me have a date?

*Yours  
Edward*

The Rt Hon Mrs Margaret Thatcher, M.P.  
10 Downing Street  
S W 1

P.S. Your letter refers to "American shipping". Of course the purpose of the meeting would be to discuss British Merchant shipping.



SLH

cc MA  
DT p  
DT I  
CWO

10 DOWNING STREET

THE PRIME MINISTER

3 June 1986

Dear Edward.

Thank you for your letter of 19 May asking if I would receive a delegation from the Parliamentary Maritime Group to discuss <sup>market</sup> American shipping. I do very much appreciate your concern on this issue but I am sure you will understand that it is not my normal practice to receive All-Party delegations of the kind you suggest. I know, however, that John Moore, together with the appropriate Ministerial colleagues would be willing to receive your delegation and I should be grateful if you could approach him at least in the first instance. If, after that meeting, you yourself would like to discuss the matter with me I should of course be happy to do so.

Yours ever

Raymond

The Rt. Hon. Sir Edward du Cann, K.B.E., M.P.

ca



E.R.

MR. FLESHER

As you should have seen, the Prime Minister agreed not to take up Sir Edward du Cann's suggestion that she meet the All Party Committee on Shipping. She suggested they be referred to the two Ministers with relevant responsibilities.

Would you deal please?

MLA

MARK ADDISON

2 June 1986

LOSACP

cc: Mr. Addison

MR. FLESHER

We are to discuss at the next diary meeting the letter from Sir Edward du Cann asking the Prime Minister to meet the All Party Committee on Shipping.

The Chief Whip spoke to me again today about this. As you know, he had advised that the Prime Minister should not meet the Committee. He suggests that she should reply to Sir Edward's letter on the lines that it is not her practice to meet All Party Committees, but that she knows Paul Channon would be willing to talk to them. (Something that we need to confirm). She should go on to say that if Sir Edward wishes to see her after the meeting with Mr. Channon, she would, as always, be willing to meet him.

NLW

N.L. WICKS  
23 May 1986

BM2ANN

E. R. JALASD

- OK 21/5.  
CDP 22/5
1. Mr. Norgrove
  2. Mr Powell
  3. Prime Minister

cc: Mr Alison

Attached is a request from Edward du Cann that you should meet members of the Parliamentary Maritime Group presumably to discuss the consequences of the recent shipbuilding redundancies on the merchant fleet. It is very unusual for you to see All-Party Groups and I am not very keen on the way in which a story in which Edward du Cann led an all-Party delegation including for example Jim Callaghan and David Owen to see you would be presented. Moreover Edward du Cann's intervention on the subject in the House last week was not exactly helpful.

Perhaps you would like to discuss at the next diary meeting whether you should receive Edward du Cann's delegation or whether they might be diverted to a group of the relevant Ministers.

n

Tim Flesher  
21 May 1986

From the Rt Hon Sir Edward du Cann, KBE, MP



HOUSE OF COMMONS  
LONDON SW1A 0AA

*cc dda*  
*221*  
19th May 1986

*L Maynard*

As you know, I am Chairman of the Parliamentary Maritime Group, which was originally established by James Callaghan, David Owen and myself, under the auspices of the British Maritime League. Its membership now includes around one hundred Members of Parliament.

Our members are most concerned at the decline of the British Merchant Fleet, a view which I have expressed in the House on more than one occasion as you know. I am sure it is possible to suggest ideas and policies which might be of assistance in this scene, which has very worrying implications, both from the point of view of defence and the economy.

My colleagues would be most grateful if you would receive a small deputation of their members in order to discuss the matter.

*Yours  
Edward*

The Rt Hon Mrs Margaret Thatcher, M.P.  
10 Downing Street  
S W 1

FCB



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

*From the Secretary of the Cabinet and Head of the Home Civil Service*

Sir Robert Armstrong GCB CVO

Ref. A085/3015

21 November 1985

*Dear David*

Parliamentary Maritime Group

I have seen the replies that you have received from Alison Smith and Michael Gilbertson to your letter of 7 November.

Sir Robert Armstrong is concerned that to agree to this invitation might be seen as creating a precedent if the Group were subsequently to invite civil servants to attend. The guidance currently given in the Heads of Departments Personal Handbook makes clear that civil servants should not attend meetings of Groups of this kind, except in the presence of and in direct support of their Minister. The reason for this is that, unlike Select Committees, proceedings in these Groups are not covered by established conventions and standing orders and the Groups may well be the Parliamentary dimension of a pressure group.

Slightly different considerations may apply to military personnel in relation to essentially technical matters such as the example you quote. But the attendance of the Chief of Defence Staff, not accompanying a Minister, would appear more akin to the attendance of civil servants in some circumstances, and might run the same risk that issues of policy and resource allocation might be raised which should be for Ministers.

Sir Robert wanted you to be aware of this background, before final decisions are taken on Sir John Fieldhouse's attendance.

I am copying this letter to recipients of yours.

*Yours ever*

*Michael Stark*

(M C Stark)

Private Secretary

David Woodhead Esq

Parliament; Maritime Group; ~~Oct~~'85  
NOV



RESTRICTED

*cebh*



PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

15 November 1985

*M  
15/11/85*

Dear David,

Thank you for your letter of 7 November about an invitation from the Parliamentary Maritime Group to Admiral Sir John Fieldhouse to address them.

The Lord Privy Seal's view is that the acceptance of this invitation would not establish any awkward precedent so far as Select Committees are concerned, insofar as they normally have already an unrestricted power (which, if supported by the House, they can enforce) to call for any persons to appear before them to give evidence.

On the more general point, he would see the question of whether or not this meeting constitutes a 'political activity' within the general policy relating to the involvement of members of the Armed Forces as being a matter at the discretion of the Secretary of State for Defence: personally, however, he would hope that the invitation could be accepted.

I am copying this letter to Tim Flesher (No 10), Joan MacNaughton (Lord President's Office), Colin Budd (Foreign and Commonwealth Office), Edmund Hosker (Department of Trade and Industry), Paul Pegler (Treasury), William Fittall (Home Office), Ian Hughes (Department of Education and Science), Jonathan Cunliffe (Department of Transport) and Michael Stark (Cabinet Office).

*Yours,  
Alison*

ALISON SMITH  
Private Secretary

D Woodhead Esq  
Private Secretary to the  
Secretary of State for Defence

Parliamentary Maritime Corp: PARLIAM  
ENT.

Nov 80







JU610

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215  
SWITCHBOARD 01-215 7877

5422

15 November 1985

Miss Alison Smith  
Private Secretary to the  
Lord Privy Seal  
Privy Council Office  
Whitehall SW1

*Dear Alison,*

**THE PARLIAMENTARY MARITIME GROUP**

I have seen the letter of 7 November from David Woodhead seeking the Lord Privy Seal's agreement to the request from the Parliamentary Maritime Group to be addressed by the First Sea Lord.

My Secretary of State is not sure that the analogy drawn by Sir Edward du Cann with the Parliamentary and Scientific Committee is exact. Some parts of the Group's terms of reference seem to indicate that the Group could be a pro-maritime pressure Group. We would certainly not wish to be faced with a situation where civil servants from this Department were invited to speak and for the Group to cite the First Sea Lord's appearance as a precedent. We would be reluctant therefore for the Defence Secretary to accede to the Group's request unless the Lord Privy Seal is satisfied that a clear distinction can be made between the First Sea Lord appearing before the Committee and a civil servant doing so.

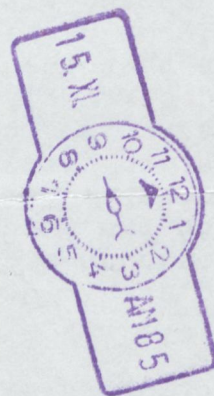
I am copying this letter to D Woodhead (MOD) and to the recipients of his letter.

*Yours ever,*

*Michael*

MICHAEL GILBERTSON  
Private Secretary

PARLIAMENT; Parliamentary Maritime Group: Nov 85



RESTRICTED



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-930 7022

D/S of S/126/85

7th November 1985

*Jan Alison*

*NPM*

THE PARLIAMENTARY MARITIME GROUP

Earlier this year the Parliamentary Maritime Group invited the then Chief of the Naval Staff, Admiral Sir John Fieldhouse, to address them. As is the form with such invitations to the Chiefs of Staff, this was referred to the Defence Secretary, who decided that it should be refused. The attached correspondence between Sir Edward du Cann, Chairman of the Group, and the Defence Secretary ensued.

Having considered Sir Edward's latest letter, Mr Heseltine is now inclined to allow the Group's request, although it is not now entirely clear, from the penultimate paragraph of Sir Edward's letter, what he would be specifically agreeing to. However, before agreeing to, say, the principle that a Service Chief of Staff should address the Group, Mr Heseltine would wish to know that he was not establishing a precedent which other Departments might subsequently find awkward or inconvenient and he would be grateful for the Lord Privy Seal's views in particular.

By way of background, it might be helpful if I set out the Ministry of Defence's general policy on serving members of the Armed Forces participating in 'political activities'. It is of course a long established principle that the Services must be, and be seen to be, neutral in political matters and that their members, in their capacity as Service personnel, should not therefore participate actively in matters of political controversy. As an extension of this, it would be improper for individual members of the Services to be personally identified in public with any line in conflict with the policy of the Government of the day. There will be occasions, however, when Service personnel can, and should, make a contribution to public knowledge on the basis of specialised information and experience gained in the course of their official duties. Thus, Ministers here agreed that the Head of the Royal Navy's Hydrographic Service, a serving Rear Admiral, should address the Parliamentary Maritime Group last December, to describe the work of that Service. The criteria which Ministers apply in deciding whether or not to agree to participation by Servicemen in

Ms Alison Smith  
Private Secretary to the Lord Privy Seal

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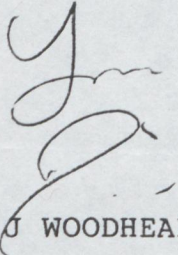
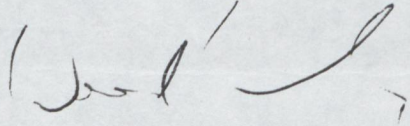


activities such as these include the risk to national security; the possibility of embarrassment to the Government in the conduct of its policies; and the possibility of bringing into question the impartiality of the Services. The extent to which this general policy and these criteria are relevant to the Parliamentary Maritime Group's invitation to a Chief of Staff and to which a meeting of an all-party Parliamentary Group constitutes a "political activity" are also matters for Ministerial judgement.

One further factor of which the Lord Privy Seal may wish to be aware is that the Defence Secretary has agreed to a request from the Defence Select Committee to see Admiral Fieldhouse, in his new capacity as Chief of the Defence Staff, on 27th November. Mr Heseltine has agreed this on the basis that the session will be held entirely in private and will be off the record.

It would be helpful to have any observations by the time the Defence Secretary returns from the Far East, at the end of next week.

I am copying this letter to Tim Flesher (No 10), Joan MacNaughton (Lord President's Office), Colin Budd (Foreign and Commonwealth Office), Edmund Hosker (Department of Trade and Industry), Paul Pegler (Treasury), William Fittall (Home Office), Ian Hughes (Department of Education and Science), Jonathan Cunliffe (Department of Transport) and Michael Stark (Cabinet Office).

  
  
(D J WOODHEAD)

RESTRICTED

From; The Rt. Hon. Sir Edward du Cann, KBE, M.P.

120/55  
EP



HOUSE OF COMMONS  
LONDON SW1A 0AA

2nd October 1985

A handwritten signature in cursive script, reading "Sir Edward du Cann".

THE PARLIAMENTARY MARITIME GROUP

Thank you for your letter of the 9th September regarding our invitation to the First Sea Lord to speak to the Parliamentary Maritime Group about his perception of the maritime scene as he reached the end of his tenure of that office (now the senior appointment within government that represents the purely naval point of view, as opposed to the wider total defence spectrum he must cover as Chief of Defence Staff; no Minister is concerned only with naval affairs.)

What we wanted was a personal view of the Navy and the maritime defence scene in the national and NATO contexts, in no way a political, partizan statement, nor in any way going beyond the normal restrictions nowadays applying to every senior officer or permanent civil servant while still in office. The First Sea Lord and other senior officers have to speak to numerous open audiences outside their service or department, and it is perfectly well understood that what they say must be cleared beforehand by Ministers and officials at levels appropriate to the position of the officer concerned. No one expects such people to go beyond the limitations of their offices, or to engage in political controversy, most particularly if it is likely to be contrary to current government policy.

All this is well tried practice, very well understood and I am indeed surprised if you have any qualms about what an officer of Sir John's standing and reputation might say to an open audience of whatever composition. I am sure that applies equally to any of the Chiefs of Staff or to the CDS: it surely applies also to many at much lower levels.

But quite apart from the position of the First Sea Lord, I must strongly disagree that this Group is a 'political' one in the sense you infer. When I wrote to you in the Spring, I enclosed a copy of a memorandum dated 25th April which our Secretary prepared for me. The Group is only 'political' in the sense that it currently has 100 members from the Houses at Westminster and the one in Europe; since April we have invited outside organisations and companies to join, and these will eventually total about the same number as there are Parliamentary members, the number of them also likely to increase. Colleagues and I are taking special care to maintain

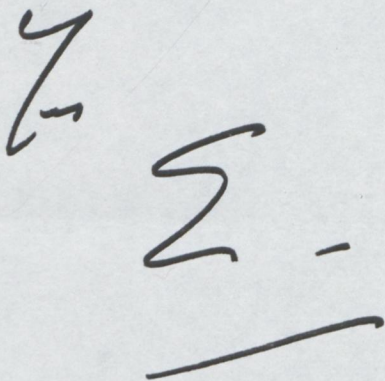
2/.....

the all-party non-political nature of the Group's activities, on exactly the same lines as the Parliamentary and Scientific Committee has operated for almost 50 years. I am not aware that the Committee has ever over-stepped the mark and embarrassed the Government of the day, nor led to other bodies doing so on the strength of the P. & S. Committee's own activities. I as Chairman and the other officers are very anxious that the Group sticks to its purpose of keeping members better informed on a vital field of national interest; the other purpose is to provide better contact with people and organisations engaged in the maritime activities, by far the majority of them outside the defence field.

There is no question of creating any kind of risky precedent that differs from established similar Groups within Parliament. These Groups fall somewhere between Select Committees (which can demand the attendance of anyone including Ministers) and numerous back-bench party committees which of course cannot. These Groups registered under the new Services Committee rules, have clear constitutions and all-party officers, usually from both Houses. They are in no way comparable with the informal groups that proliferate and usually only exist for a short time.

I must ask you to look at this decision again, as an important matter of principle is involved. We would probably not now wish to invite Sir John, who has moved on to be CDS, but we may well wish to invite someone of equal status in the future, not necessarily from the defence field.

I know my Committee will wish me to take this matter further if you are not prepared to withdraw your refusal to grant permission.



Rt. Hon. Michael Heseltine, M.P.,  
Secretary of State,  
Ministry of Defence,  
Whitehall,  
LONDON SW1.



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

D/S of S/126/85

TELEPHONE 01-218 8000  
DIRECT DIALLING 01-218 6169

9<sup>th</sup> September 1985

*de* *Edwards*

When you came to see me on 17th July you raised the Parliamentary Maritime Group's invitation to Sir John Fieldhouse to address them. I promised to reconsider my decision that it would not be appropriate for Sir John to accept the invitation.

I explained, however, that my reason for reaching the decision had been the simple one of wishing to avoid establishing a precedent. The practice in this Department has been that Ministers, not Chiefs of Staff, are responsible for explaining Government policy, particularly in fora of a mainly political nature - and I think that you would agree that Sir John's audience at a meeting of the Parliamentary Maritime Group would certainly be a political one. Were he to address the Group, it would be difficult subsequently to refuse similar requests from other groups without drawing possibly invidious distinctions between the merits of the claims (and I would expect there to be many) on the Chiefs' time. Having reconsidered the matter carefully, I remain of the view that

The Rt Hon Sir Edward du Cann MP



this risk of creating an undesirable precedent is such that I should still prefer Sir John not to speak to your Group, although I know that this will be a disappointment to you and your colleagues.

You may have noticed that George Foulkes asked a written question about the Group's invitation shortly before the Recess, and I have now written to him in similar terms.

Yours ever

A handwritten signature in dark ink, appearing to be "M. Heseltine", written in a cursive style.

Michael Heseltine



From the Rt Hon Sir Edward du Cann, KBE, MP <sup>Acked.</sup> <sup>US(AF)</sup>



HOUSE OF COMMONS  
LONDON SW1A 0AA

April 25, 2985

*Rt Hon Michael*

I enclose a paper about the Parliamentary Maritime Group. It is, I hope, a very responsible body formed on the same basis as the Parliamentary and Scientific Committee.

We would very much like the outgoing First Sea Lord to come and address us and I hope this can be agreed.

May I come and see you to discuss the matter?

A stylized handwritten signature in black ink, appearing to read 'Michael Heseltine'.

Rt. Hon. Michael Heseltine, MP,  
Secretary of State for Defence,  
Whitehall, SW1A 2HB

THE PARLIAMENTARY MARITIME GROUP

M.L.R.

25th April 1985.

The All-Party Parliamentary Maritime Group (PMG) was formed last July following an initiative by Mr. James Callaghan, Dr. David Owen and Mr. (now Sir) Edward du Cann. The Aims and Objects and // Constitution of the Group (attached) have been modelled directly on those of the Parliamentary and Scientific Committee, which was formed in 1939. That all-party body presently comprises 83 members of the Lords, 125 of the Commons, 28 of the European Parliament, together with representatives of 155 scientific and technical organisations and of 67 companies and undertakings.

The all-party Parliamentary Maritime Group presently comprises exactly 100 Members of both Houses at Westminster and of the / European Parliament (list attached). Its first Officers are:

Chairman	Sir Edward du Cann KBE	
Deputy Chairmen	Mr. John Silkin	Lord Kennet
Honorary Secretaries	Mr. Jonathan Sayeed	Lord Greenway
Honorary Treasurer	Mr. Richard Ottaway	
1st Vice-President		Lord Campbell of Croy

(Still to be appointed are: President, additional Vice-Presidents (up to 9), and an additional Honorary Secretary from the outside members; see below).

Outside members in the categories described in the Constitution are about to be invited to join, but it is intended to ensure that their total number does not exceed that of the Parliamentary Members.

Now that the Services Committee of the Commons has settled the arrangements for these bodies, the PMG is now being formally registered as "The all-party Parliamentary Maritime Group."

It is important to emphasize that its purpose is to enable Members of Parliament to be better informed and more up-to-date on Maritime issues, and to provide them with access to many in the various Maritime Activities who can help them on particular matters. The Group is not a Lobby, nor does it seek to have a Group View, though it will of course alert ministers from time to time to matters of national interest or importance that appear to need appropriate actions by Government.

So far the PMG has held meetings on the following subjects:

Does London have a future as a World Maritime Centre?  
by Mr. Roy Farndon, Editor of 'Lloyd's List.'

The Origins, Current Activities and Future of the Baltic Exchange.  
by Mr. Peter Tudball, Managing Director,  
Graig Shipping plc.

Why Britain should adhere to the International Convention on the Law of the Sea.  
by Dr. Patricia Birnie, Law Department, LSE.

The National Hydrographic Requirements.  
by Rear-Admiral Sir David Haslam, Hydrographer of the Navy.

What future for British Merchant Shipping?  
by Mr. W.N. Menzies-Wilson, President of GCBS.

Seminar on Co-ordination and Development of Maritime Policy within Government.  
Presentation organised by the British Maritime League. Speakers: Commander M.B.F. Ranken, Director; Admiral Sir Anthony Griffin and Lady Kennet.

The Vital Roles of Sensible Technical Standards in the cause of Ship and Offshore Safety and Progress.  
by Mr. H.R. MacLeod, Chairman, Lloyd's Register.

/...

25th April 1985.

The Current and Future Work of the International Maritime Organisation.  
by Mr. C.P. Srivastava, Secretary-General of IMO.

May meeting: Consequences and Opportunities for Fisheries of Spain  
and Portugal joining the Community.

Speakers: James Provan MEP, Willie Hay, President, Scottish  
Fisherimen's Federation, Mr. Neil McKellar,  
Sea Fish Industries Authority.

The Group wishes to have a presentation by the outgoing First  
Sea Lord before he becomes Chief of the Defence Staff, he now being  
the only senior figure within the Ministry of Defence who represents  
only the Royal Navy. It is of course understood that any presentation  
that he makes is at the non-political level related only to his  
perception of the Service as it is today, and in the light of current  
developments.

It should be pointed out that Ministers (including Prime Ministers)  
have addressed the Parliamentary and Scientific Committee over many  
years, and one of these was Mr. Geoffrey Pattie in 1983 on the  
Falklands Experience. But it has also been addressed by senior Civil  
Servants (including Sir Peter Carey, when Permanent Secretary of the  
Department of Industry) and by the heads of major organisations and  
establishments, some of them in the Defence field. The Chairman of  
the Manpower Services Commission was the latest speaker on 23rd  
April.

It is to be hoped that in due course Ministers responsible for  
Maritime Matters will address the PMG, but an appropriate current  
issue has not so far arisen. The invitation to the First Sea Lord  
at this time is because of his imminent departure from that post.

*Michael Ranken.*

M.B.F. Ranken.  
Secretary.

Enclosures: Aims and Objects.  
Constitution.  
List of Members.

THE PARLIAMENTARY MARITIME GROUP

AIMS AND OBJECTS

The Parliamentary Maritime Group is an unofficial non-Party group of Members of both Houses of Parliament and British members of the European Parliament and representatives of business, industrial, professional, academic and other organisations formed with the object of providing a permanent liaison between Parliament and the Nation's vital maritime industries and activities.

The Group aims amongst other things:

1. To provide Members of Parliament with relevant authoritative information prior to debates on or affecting national maritime interests.
2. To bring to the notice of Members of Parliament and Government Departments developments or events in the maritime field which bear upon questions of public interest or importance.
3. To arrange for suitable action through parliamentary channels whenever necessary to ensure that proper notice is taken of maritime interests and the marine point of view in formulating policy and taking decisions.
4. To examine legislation, international conventions, and related regulations and actions affecting maritime activities and interests, and take such actions as may be suitable.
5. To watch the funding of research and development, education and training relevant to the marine scene.
6. To provide its members and other approved subscribers with regular summaries of maritime and marine-related matters dealt with in Parliament.

## THE PARLIAMENTARY MARITIME GROUP

## CONSTITUTION

1. OFFICERS: The Officers of the Group shall consist of:-
- (a) A President (to be a Member of either House of Parliament);  
 Vice-Presidents (to be a maximum of nine);  
 A Chairman (to be a Member of either House of Parliament);  
 A Vice-Chairman;  
 Two Deputy-Chairmen (to be members of either House of Parliament);  
 Three Honorary Secretaries (two to be Members of either House of Parliament);  
 An Honorary Treasurer.

The above officers to be elected or re-elected at the Annual General Meeting of the Group, no officer (except Vice-Presidents) being eligible for re-election to any office which he has occupied consecutively for three years. This three year rule may be waived in respect of any office if the Group Committee recommends that special circumstances justify such a course.

Two Vice-Presidents shall retire by rotation every year, and these two retiring Vice-Presidents shall not be eligible for re-election unless the Group Committee recommends that special circumstances justify such a course.

- (b) A Secretary appointed by the Group Committee and responsible for all administrative matters, the compilation of "The Sea in Parliament", etc. to be remunerated at such rate as the Group Committee may decide yearly.
2. TERMS OF MEMBERSHIP: Any Organisation or Society with principal interests in the sea and any member of either House of Parliament or British Member of the European Parliament shall be eligible to be elected as a member by the Group Committee on the following terms:-
- (a) Qualifications
- (i) An organisation or society shall be eligible for election by the Group Committee if the latter is satisfied that it is either:-
- A National Institution or Association for professional people, or
  - A Research Organisation, or
  - A body, the special position of which in the maritime life of the country makes its membership, in the opinion of the Group Committee, desirable in order to advance the agreed objects of the Parliamentary Maritime Group.
- In reaching a decision with regard to eligibility regard shall be had to the extent to which the maritime interests represented by the applicant organisation is already adequately represented on the Group.
- (ii) The Group Committee may also elect up to a maximum of 70 'Associate Members' such maximum being subject to modification at any subsequent Annual Meeting. Such members in the first place shall be approved by the Steering Committee as being Industrial Companies registered in the U.K. or U.K. nationalised Undertakings. In recommending the name of any company or undertaking for election as an Associate

PARLIAMENTARY MARITIME GROUP CONSTITUTION

- 3 -

by the Group Committee shall be available at a price to be decided later to members and to non-members.

The prices of rates set out in this paragraph may be modified at any Annual Meeting and thereafter set out in a separate schedule.

3. GROUP COMMITTEE: The Group Committee shall consist of the Officers of the Committee as defined in paragraph 1: of the representatives referred to in paragraph 2, sub-section (b) (i); and (ii); of Members of Parliament referred to in paragraph 2, sub-section (b) (iv); of Associate Members referred to in paragraph 2, sub-section (a) (ii); and Honorary Members (with no voting rights) to a maximum of 20 who shall be nominated by the Chairman and co-opted on an annual basis by the Group Committee as persons of special qualifications for assisting the Group's work.

4. STEERING COMMITTEE: This Committee shall consist of the following members:-

(i) The Officers.

(ii) Not less than eight other representatives of outside bodies to be appointed by the Chairman.

(iii) Members of either House of Parliament appointed by the Chairman.

NOTE: Members of the Steering Committee appointed by the Chairman under sub-section (ii) above shall retire after five years' consecutive service on the Steering Committee.

Its purpose shall be to plan in advance the activities of the Group Committee.

5. MEETINGS:

(a) There shall be a minimum number of three meetings per annum of the Group Committee.

(b) There shall be an Annual Meeting each calendar year.

(c) At the meetings of the Group Committee at which resolutions affecting participating bodies can be adopted a quorum will be 20.

PARLIAMENTARY MARITIME GROUP

4th July 1984

LIST OF FOUNDER MEMBERS

(as amended)

Lord Buxton  
Viscount Caldecote  
Lord Campbell  
~~Earl Fortescue~~  
Lord Gisborough  
Lord Greenway  
Lord Gregson  
Lord Hill-Norton  
Earl of Inchcape  
Lord Kennet  
Earl of Kimberley  
Lord Moran

Mr. Paddy Ashdown  
Rt. Hon. Sir Humphrey Atkins  
Mr. Gordon Bagier  
Mr. Roy Beggs  
Mr. W. Benyon  
Sir Nicholas Bonsor  
Sir Bernard Braine  
Dr. Jeremy Bray  
Sir Paul Bryan  
Sir Anthony Buck  
Rt. Hon. James Callaghan  
Mr. C. Chope  
Mr. Winston Churchill  
Mr. Eric Cockeram  
Mr. Michael Colvin  
Mr. Patrick Cormack  
Mr. Dick Douglas  
Rt. Hon. Edward du Cann  
Mr. Patrick Duffy  
Sir Reginald Eyre  
Sir John Farr  
Mr. Frank Field  
Mr. Clifford Forsythe  
Mr. Ted Garrett  
Rt. Hon. Dr. John Gilbert  
Dr. Alan Glyn  
Dr. Norman A. Godman  
Mr. Barry Henderson  
Mr. Andrew Hunter  
Mr. Robert Rhodes James  
Mr. Toby Jessel  
Mrs. Jill Knight  
Sir William Clark  
  
E. & O.E.

Earl of Lauderdale  
Lord Lloyd of Kilgerran  
Lord Mayhew  
Viscount Mersey  
Earl of Selkirk  
Lord Shackleton  
Lord Strathcona & Mount Royal  
Baroness Vickers  
Lord Walston  
Earl de la Warr  
Baroness White

Mr. Peter Lloyd  
Mr. E. Loyden  
Mr. Gerald Malone  
Mr. Michael Marshall  
Mr. Kevin McNamara  
Rt. Hon. Bruce Millan  
Mr. Michael Morris  
Mr. Richard Ottaway  
Rt. Hon. David Owen  
Sir David Price  
Mr. S. Randall  
Mr. Tim Rathbone  
Mr. George Robertson  
Mr. Stephen Ross  
Mr. Andrew Rowe  
Mrs. Angela Rumbold  
Mr. Jonathan Sayeed  
Rt. Hon. Peter Shore  
Rt. Hon. John Silkin  
Mr. Nigel Spearing  
Mr. Keith Speed  
Mr. John Spence  
Mr. Teddy Taylor  
Mr. Stefan Terlezki  
Mr. Neil Thorne  
Mr. James Tinn  
Mr. Neville Trotter  
Sir Gerard Vaughan  
Mr. Peter Viggers  
Major Sir Patrick Wall  
Mr. J. Wallace  
Mr. Nicholas Winterton  
Mr. Martin O'Neill  
Mr. Tom Sackville  
Rt. Hon. John D. Taylor  
Mr. M. Neubert

M.E.P.

Miss. Beata Brookes  
Mrs. Winifred M. Ewing  
Mrs. Sheila Faith  
Mr. Glyn Ford  
Mr. James Moorhouse  
Ms. Joyce Quin  
Mr. George Stevenson  
Mr. Richard Simmons  
Mr. William F. Newton Dunn



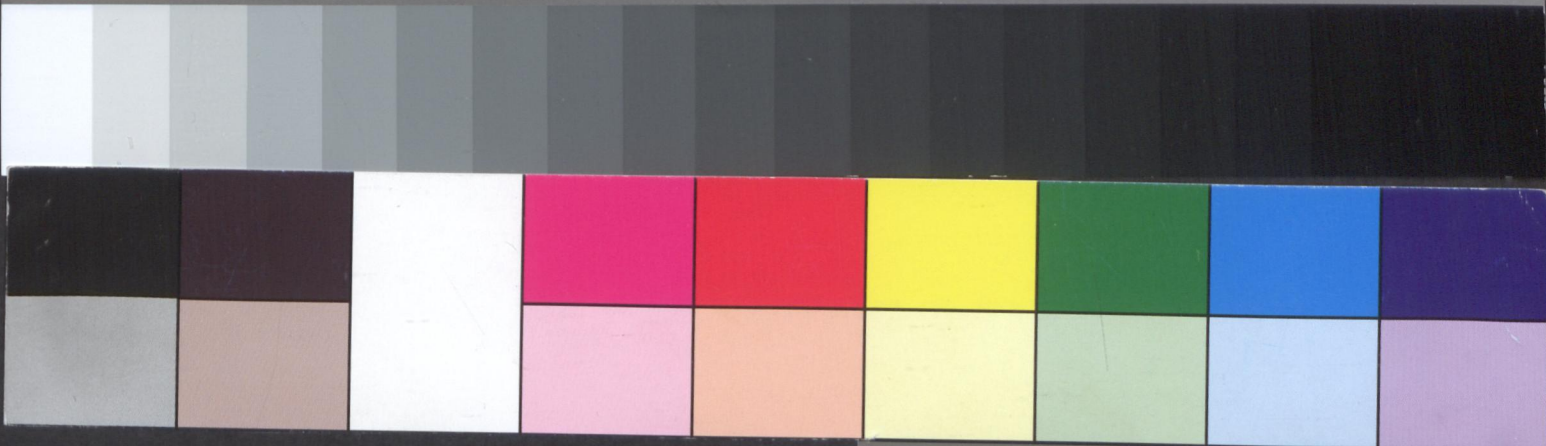




# Grey Scale #13



**A** 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19



Colour Chart #13

Blue  
Cyan  
Green  
Yellow

Centimetres  
1 2 3 4 5 6 7 8

Inches  
1 2 3