PREM 19/313

MT

Confidential Filing

Water Industry Pay

NATIONALISED INDUSTRIES

JUNE 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/313

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E (EA) 79th Meeting, Minute 4	7.6.79
PY (79) 72	23.11.79
CC (80) 2nd Meeting, Minute 7	17.1.80
CCU (80) 2	17.1.80
CCU (80) 1st Meeting, Minutes	22.1.80
CC (80) 3rd Conclusions, Minute 5 (extract)	24.1.80
CC (80) 4th Conclusions, Minute 5 (extract)	31.1.80
CC (80) 5th Conclusions, Minute 5 (extract)	7.2.80
CC (80) 6th Conclusions, Minute 4 (extract)	14.2.80
CCU (80) 6	19.2.80
CCU (80) 3rd Meeting, Minutes	20.2.80
CC (80) 7th Conclusions, Minute 5 (extract)	21.2.80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed D A Wayland Date 29 June 2010

PREM Records Team

COVERING CONFIDENTIAL

Not 2nd

Prime Minister
Water manuals to be approved 6.7.87.
7-8%. on pay bill, 9.8%. on basic rates.

cc Mr Duguid.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

17 November 1980

Dear Tim

PAY IN THE WATER INDUSTRY

R. 19.

My Secretary of State felt that the Prime Minister and all Members of E Committee would be interested in this letter from the Chairman of the National Water Council about the present wage negotiation for manual workers in the water industry. I am, therefore, copying this letter and the enclosure to the Private Secretaries to Members of E Committee, and to Sir Robert Armstrong.

Yours,

D A EDMONDS
Private Secretary

Tim Lankester
No 10

(5)

NATIONAL WATER COUNCIL

Chairman
Sir Robert Marshall,
KCB, MBE

Director-General
P. F. Stott, CBE, FEng.

1 Queen Anne's Gate
London
SW1H 9BT

Telephone
01-222 8111

Telex
918518

CONFIDENTIAL

Date 13th November, 1980.

The Rt. Hon. Tom King, MP
Minister for Local Government and Environmental Services,
Department of the Environment,
2 Marsham Street,
London SW1.

Dear Tom

Our Employers' Committee met last night to consider the offer to be made in reply to the Trade Unions' claim on behalf of the manual workers in the industry. I reported to them at the start what you had said to me yesterday morning about the Government's current expectations on wage negotiations in the public sector of industry. In particular I laid emphasis on your statement that the 6% cash limit for public service workers was a clear and new signpost of your intentions, even though it had not been extended formally to the water industry; that it was now your view that we should seek to settle "well within" single figures rather than "within" as you had previously said to us; but that the decision was ours and we had to conduct the negotiations.

We have decided that our offer will be around 7 to 8% increase on the total wage bill and that our negotiating objectives shall be to stay as close as possible to the opening figure with an overriding aim of trying to keep within single figures.

The Employers' Committee met before the size of the NCB's revised offer to the NUM had been made known. As I understand it, this amounts to 9.8% on the basic rate of pay with a further £3.50 per week bonus payment for face-workers without requirement for improvement in productivity, giving an overall pay increase of 13% over a period of 10 months. Surface-workers get corresponding increases. The NCB's offer must make more difficult the task we have set ourselves of settling within single figures, though I myself take some encouragement in terms of the national situation.

We shall obviously be watching with close attention this and other developments elsewhere before we make our offer on 10th December. We shall be meeting again towards the end of the month and within a week of our offer date to take stock of the situation and to decide the detail of our package and at what exact level to pitch it.

We will keep the Department informed of the development of our thinking about the main elements in our offer and I should of course let you know at once if we decided to change our objectives or our opening bid. I am absolutely at your disposal if you want to talk further about our present stance.

Yours ever
Bob Marshall

Chairman.

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Nat. Ind. 2

PRIME MINISTER

A question mark at X over Sir Robert Marshall's future as Chairman of the National Water Council. Previous papers attached

MS 11/8

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

11 August 1980

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment

Dear Michael

WATER INDUSTRY PAY - CHIEF OFFICERS

Thank you for your letter of 30 July.

As you say, the offer of some 20 per cent seems excessive in the light of our decisions on TSRB. But given the arbitration position as you describe it (and I do wonder whether binding arbitration with unilateral access is any longer appropriate for groups in the water industry), we seem to have little room for manoevre. The only conceivable way of proceeding would be to get the National Water Council to withdraw the offer and substitute a substantially lower one. This Sir Robert Marshall has refused to do. Although I note his arguments for sticking with the 20 per cent, I do not believe they are overriding, any more than they were in the case of our TSRB decisions. However, as you say, your influence is limited to pressure on the employers: you have no power to do more than this.

X In general, the pay bargaining record of the NWC while Marshall has been Chairman seems extremely poor; you may like to check on this yourself. Given the sensitivity of water, the employees' bargaining strength, and the monopoly position of the industry, I have to admit to great concern about how future negotiations are likely to be handled by the present management and you may perhaps yourself be considering whether, in this situation, he retains your confidence. That seems to me to be the basic question.

I am copying this letter to the recipients of yours.

Yours

GEOFFREY HOWE

CONFIDENTIAL

2

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

Prime Minister

To note: water industry chief officers have been offered 20%. The Heseltine ~~only~~ has no ~~more~~ powers to overturn this.

Dear Chancellor of the Exchequer, TL 31/7

My ref:

Your ref:

30 July 1980

WATER INDUSTRY PAY - CHIEF OFFICERS

Although the attention of the National Water Council was specifically drawn to the Prime Minister's statement on TSRB in order to encourage the employers to take full account of the Government's views on public sector pay settlements, an offer of some 20% has been made to the Chief Officer's Group in the industry which exactly mirrors the level of settlements earlier in the year for the more junior staff. The offer was made without prior reference to the Department (an omission for which the Chairman of the Council has apoligised). Details of the offer are attached.

Tom King saw Sir Robert Marshall on Monday and expressed grave concern at the proposed settlement and requested him to take no further action until he heard from us. Marshall maintains that the employers did indeed give full weight to the Prime Minister's statement on TSRB and its implications for public sector pay generally. But he is adamant that there is no way in which a significantly lower settlement could be imposed nor grounds on which to justify a lower offer.

He compared the 41% increase since 1978 which the proposed offer would give the industry's chief officers with comparable settlements (actual or prospective) totalling about 45% in the gas industry, 45-50% in electricity, 49-59% in the Civil Service and 47-53% in local government. Whilst recognising the concern the Government would attach to the high level and the timing of the proposed water industry settlement Marshall could not agree that this justified a significantly reduced offer.

In his judgement the chief officers would certainly go to arbitration if the employers tried to impose a much lower figure. There is already considerable overlap between the salary groups within the industry, leading to inverse differentials in some smaller authorities. Anything that added to these distortions would be totally unacceptable to the employers. In particular Marshall referred to the concern of a number of his Regional Water Authority chairmen colleagues on the Council who regarded the outcome of last year's arbitration when a settlement was imposed on chief executives as creating wholly unjustifiable relativities between the most senior staff and the rest of the industry.

Though there will be inevitably comparisons with the much lower level of settlements likely to be reached within local government, there is no greater scope for us to intervene in the water

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industry pay negotiations than those in any other nationalised industry. Even if I were able to persuade the employers to change their minds and substantially reduce the offer, they would almost certainly not be able to achieve a negotiated settlement, would lose at arbitration where the award is binding, and the attendant publicity would be even more embarrassing than a settlement at or near the present level.

I will exert the maximum pressure on the employers to reduce the offer. But I have no power to do more than this. I am now writing to colleagues as I understand that pay issues are likely to be raised at Cabinet tomorrow. I would however be grateful for any comments you and colleagues to whom I am copying this letter wish to make. Having put the offer on the table the employers are inevitably now under pressure to make further progress and delay could stimulate just the sort of publicity we are seeking to avoid. Obviously I am under considerable pressure to make my views known.

I am copying this letter and enclosure to the Prime Minister, Cabinet colleagues and to Sir Robert Armstrong.

Yours sincerely

PAR

(r MICHAEL HESELTINE

(Letter approved by the Secy of State and signed in his absence)

Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer

ANNEX

WATER INDUSTRY PAY - CHIEF OFFICERS

1. Offer

a. 20.5% on current scales from 1 July 1980 plus a further increase in line with JNC staff at 1 April 1981;

OR b. 22% on current scales.

The offer at a. above corresponds with the settlements for the junior staff groups. The offer at b. is a rationalisation of a.

2. Salary Scales (dependent on size of authority)

	1.7.80	+20.5%
Chief Executives (12)	£21848 - £26085	£26086 - £31432
Directors of Operations and Finance (27)	£16629 - £23523	£20038 - £28345
Other Directors (19)	£14928 - £21681	£17988 - £26126

cc AD

CS

Nat Ind

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

R 274

Rt Hon Tom King MP
Minister of State for local Government
Department of Environment
2 Marsham Street
London SW1

292

25 February 1980

Dear Tom

KEY PUBLIC SECTOR PAY NEGOTIATIONS

In your letter to me of 8 February, which was mainly about negotiations in the water industry, you suggested that my officials might take the lead in putting in hand a study to identify, in time for the next pay round, the key negotiations in the public sector.

I have doubts about this suggestion. A fair amount of information about such negotiations is already widely available in Whitehall. My Department has circulated to members of the Official Group on Pay Negotiations a paper listing those key groups whose negotiations it monitors; a comprehensive register of public sector negotiating arrangements, which records the major known links between groups and the repercussions likely to arise from settlements; and fact sheets, which also seek to identify links and repercussions, about the more important groups. The Civil Contingency Unit is there of course to try to identify in advance potential industrial disputes which may affect the health or well-being of the community. Lastly the report by officials which was attached to the Home Secretary's memorandum (E(79)27) about pay, circulated last July, covers I think much of the ground in a useful way.

In view of the information already available, and of the difficulty, given particularly that negotiations often last for a considerable time, and crucial developments may take place well before or well after the normal settlement date, of predicting how the negotiations for one group will affect the negotiations for another, I am not convinced that further work in this area would be profitable.

However my officials would be happy to discuss the matter further with yours if you think this would be helpful.

I am copying this to the recipients of yours.

Yours
Tom

cc Nat Ind (Feb 80) Gas.

CONFIDENTIAL

Ref. A01483

PRIME MINISTER

Cabinet: Industrial Affairs

The points which might be covered under this item on the agenda are:-

1. Water Industry

The Secretary of State for the Environment should be asked to report on latest state of play in the pay negotiations. As we understand it the employers informally put a 21.4 per cent offer to the unions on Monday (following the earlier rejection of 19.2 per cent). The unions are likely to give their reply at a full negotiating meeting on Thursday. Can Mr. Heseltine forecast what this is likely to be?

The Home Secretary might then be asked to report on contingency planning. He chaired a meeting of the Civil Contingencies Unit on Wednesday afternoon. The key point is whether he recommends that no further steps should be taken to activate contingency arrangements (including putting servicemen on notice) at this stage.

2. Steel

The Secretary of State for Industry should be asked to report on the latest position. You might also seek his and Mr. Whitelaw's views on the picketing at Sheerness on Wednesday.

3. British Leyland

You will no doubt want the Secretary of State for Industry to report on Wednesday's unexpectedly strong vote at Longbridge against strike action.

4. Gas

The Secretary of State for Energy might report on the GMWU rejection of their union negotiators' recommendation of the employers' 14 to 18 per cent offer. The next negotiating meeting is fixed for 28th February. It is not clear at this stage what further offer, if any, the employers will make. You might seek views on whether the gas situation is likely to complicate the water negotiations.

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5. Port of London Authority

The Minister for Transport might report on the outcome of a meeting today (Wednesday) where the dock unions are to consider the employers' offer of 12 per cent or £12 (whichever is the greater for individual employees). Industrial action has intensified, with both the upper docks and Tilbury at a standstill.

6. Medical Laboratory Scientific Officers

Last week the Secretary of State for Social Services mentioned that there was industrial action in some hospitals over his decision to impose a settlement on some laboratory staff which had not been agreed by the unions. The Secretary of State for Scotland might be asked about the position in Scotland, where he also imposed a settlement. The dispute does not seem to be having a serious effect on hospitals' essential work so far.

CONCLUSIONS

2. I think that the only conclusions you will need to record relate to water, where you may want Cabinet:-

(a) To agree Mr. Whitelaw's recommendations on contingency plans.

(b) To agree that the Civil Contingencies Unit should continue to keep the situation under review.

RTA

(Robert Armstrong)

20th February, 1980

cc IndPol (GL) Pt 2

Sect, Sus - arbitrated.

Ref: A01414

CONFIDENTIAL

10 4-4%. - 18th May

weekly

PRIME MINISTER

Cabinet: Industrial Affairs

BACKGROUND AND HANDLING

You may like to ask Ministers to report on the following:-

Water

2. Mr. Heseltine could report on the aftermath of the GMWU's rejection of the employers' 19.2 per cent offer. He could mention the outcome of the meeting between Mr. King and Sir Robert Marshall due to take place today (Wednesday). Questions you might want to cover are:-

13.2 MT

(a) What is the real likelihood of a strike (threatened from 25th February)? Are the supervisors likely to join in (crucial to the effectiveness of contingency plans)? How will the GMWU Executive treat the vote for strike action by their conference? What of the attitude of the other water unions?

You will also want Mr. Younger's view on the strike threat in Scotland (where the water workers are local authority employees).

(b) Will the water employers increase their offer? If so, to what level? We understand that the unions' further demands may crystallise round the consolidation of a 5 per cent efficiency bonus. Will the management concede this? Does Mr. Howell think this could have repercussions on gas and electricity, where negotiations are still going on? The GMWU negotiators are recommending acceptance of a 14.2 per cent offer for gas, which presumably could be rejected by their delegate conference, as with water.

(c) You might then seek views especially from Mr. Whitelaw and Mr. Pym on whether troops should be put on notice so as to be ready for use by 25th February. This mean alerting servicemen by the weekend: we understand that the water employers' view is that there is no need for troops to be put on notice yet; they are confident that they can provide adequate services - with the aid of the supervisors - for

several days after a strike begins. Putting the troops on notice would probably leak and jeopardise the co-operation of the supervisors. You might check that Mr. Heseltine agrees with this. If you want further consideration of this issue, then you could ask Mr. Whitelaw to convene an urgent meeting of the Civil Contingencies Unit at Ministerial level, perhaps on Friday.

A final decision about whether to declare a state of emergency can be delayed until next week, but CCU might be asked to look at this too.

Steel

3. Sir Keith Joseph could report on:-

(a) The ACAS talks with the ISTC and NUB, and -

(b) Whether the other steel unions are likely to settle - they are meeting on Thursday to decide - following the rejection of BSC's offer by the TGWU delegate conference.

British Leyland

4. Sir Keith Joseph could report on management and union reaction to the results of the pay ballot (59 percent to 41 per cent against the offer, on an 82 per cent poll, i.e. 48½ per cent of all manual employees against); and on the market position and lay off plans. You are to discuss BL further with Ministers on Monday. The situation looks very gloomy.

British Shipbuilders

5. Sir Keith Joseph could report on the two days of pay negotiations ending today (Wednesday). Is there any chance of BS bridging the gap between the 20-30 per cent demanded by the Unions and the requirement of a virtually self-financing settlement dictated by their financial position?

Port of London Authority

6. Mr. Fowler could report on the effects of strike action over pay. This seems still sporadic and having only a limited effect. But there is no sign of an early settlement.

CONCLUSIONS

7. You may want to record conclusions on the discussion on water, in particular on whether any further meeting of CCU is needed.

RCA

(Robert Armstrong)

13th February 1980

CONFIDENTIAL

NAT IND.

cc A. Duguid

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

8 February 1980

Pm 8/2

Dear Tim

WATER INDUSTRY PAY

The offer made last Friday to the Water Industry Manuals which the unions are recommending to their membership consisted of 3 elements:

a. a package worth 13.2% of the current wages bill to meet the claim for the annual pay award, backdated to the settlement date 2 December 1979 (except that certain concessions on holidays date from 1 April 1980). This compares with the local authority manual settlement of 13%;

b. an increase in basic rates of on average £4 across the board in response to the £10 per week claim for comparability with gas and electricity to which they claim they were committed from last year's settlement and the consequential joint study. This is effective from 1 February 1980 and is worth 6% in the current pay year. It is higher than what the employers told me they thought might be possible (£2.50 per week) but at a level they thought might be necessary in the last resort to avert official industrial action. The Chairman of NWC says that this discharges last year's agreement for comparability and there is no continuing commitment; I suspect however that the unions may not see it in that light next time round but I have yet to see the precise terms of the recommended offer.

c. a reduction in the working week by 1 hour to 39 hours from the next settlement date,

7 December 1980. This concession which was never mentioned in our previous discussions was made, I understand, late in the negotiations to secure the unions' recommendation to its membership and only after the unions had convinced the employers that they were not establishing a precedent which they said had been set by the university manuals (though I understand this is in doubt). The unions have agreed to take part in negotiations at regional level to investigate locally how the wage costs of the concession can be reduced or even eliminated. In the light of their disastrous experience over the productivity element last year I have the strongest doubts about this, and intend to press them hard on it. Such costs as do accrue from the introduction of the shorter working week will be negotiated in the context of next year's round.

I am advised that there is every prospect that the membership will accept the offer, even though NWC believe that the gas offer under consideration might prove embarrassing, but a decision is not anticipated for at least 2 or 3 weeks. The immediate prospect of official industrial action has clearly receded but again NWC cannot say with any certainty that there will not be some sporadic unofficial action.

The cost this year of the offer is £27m or 19.2% of the current wages bill. This compares with the cash limit pay assumption of 13.6% and an assumption of 17% which I understand the water authorities have used in their current budgeting exercises from which forecasts of increases in water charges have been made.

NWC has expressed the view that this potential settlement is perhaps 1% or 2% more expensive than it might have been had they opened negotiations at a more realistic level than 13.1%. They opened as they did of course to avoid embarrassing negotiations for 1 million local authority manual workers. My concern is that a similar situation will arise in the next round as will the various other interactions which have been drawn to my attention by other departments and local government as these negotiations have progressed. I I think we should analyse in some depth the potential interaction by one public sector negotiation on another to establish centrally which are the key groups whose settlements are of particular relative importance by reason of their timing or impact or because of the potential effects of industrial action. If you and colleagues agree, could your officials initiate the work so that the results are available before the start of the next pay round?

CONFIDENTIAL

I am copying this to the Prime Minister, other members of E(EA), Peter Walker, Patrick Jenkin, Norman Fowler and Angus Maude, and Sir Robert Armstrong.

TOM KING

Rt Hon James Prior MP

3F

CONFIDENTIAL

Ref. A01359

PRIME MINISTER

Cabinet: Industrial Affairs

HANDLING AND BACKGROUND

You might ask for brief reports on the following items:-

Steel (Sir Keith Joseph and Mr. Prior to report) - Pickering

2. You are aware of the background.

British Leyland (Sir Keith Joseph to report)

3. This item arises from the AUEW decision, reported in today's evening newspapers, that Mr. Robinson was unfairly dismissed. I do not know what Sir Keith Joseph will be able to say about possible repercussions.

Water (Mr. Heseltine to report)

4. The unions have agreed to recommend a settlement to their members, amounting to 13.2 per cent for the annual increase, plus 6 per cent from the comparability study with gas and electricity workers, plus a reduction of one hour in the working week from December 1980. The National Water Council believe that that "comparability" element is the lowest figure they could achieve in the light of past commitments. The local authority manuals who undertake sewerage work on an agency basis for water authorities will presumably be envious - but there is no sign yet of any action from them.

Working week - 1 hr.

Port of London (Mr. Fowler to report)

5. There has been no sign of industrial action yet as a result of the PLA's announcement that they may have to close one of the Upper Docks. But there have been reports of threats of industrial action from next Monday on a pay claim.

12%.

Liverpool Hospitals (Mr. Jenkin to report, with comments on contingency aspects from Mr. Whitelaw)

6. The ancillary workers at the Royal Liverpool Hospital have objected to new rotas which should have been introduced on 4th February. There is an argument as to whether management have followed agreed dispute procedure or not. The Chairman of the Health Authority has requested Government

"contingency assistance". The CCU at official level considered the case on Wednesday afternoon. It seems that ACAS are involved, and there is a fair chance that an amicable settlement can be reached. But if not CCU officials concluded that there were strong arguments against considering the use of troops at this early stage, and that all other avenues should be explored first.

British Shipbuilders (Sir Keith Joseph to report)

7. The BS management meet the unions next Tuesday to continue negotiations over pay. The cash limit is very tight, and the offer they are able to make may provoke an intense reaction.

CONCLUSION

8. Cabinet will wish to note the position on all these items.

RTA

ROBERT ARMSTRONG

6th February, 1980

CONFIDENTIAL

Ref. A01273

PRIME MINISTER

Cabinet: Industrial Affairs

BACKGROUND

You agreed that for the time being we should list "Industrial Affairs" as a standing item on the Cabinet agenda. This will give an opportunity for any Minister who wishes to raise any immediate problems. We shall make a quick check each week of the items which Ministers are likely to raise. There are three this week.

HANDLING

2. I suggest you call for oral report on these three: steel; water; Port of London.

(a) Steel. Secretary of State for Industry to report. You will be familiar with the latest position from your meeting on Wednesday evening.

(b) Water. Secretary of State for the Environment to report. Our information is that there is, at present, nothing new. Negotiations have been resumed on the basis of an increased offer. The next meeting is on Friday. There is a reasonable prospect of a settlement, though at a high price. The Home Secretary will confirm, if asked, that the Contingencies Unit continues to keep the situation under review.

See note in folder TL.

(c) Port of London. Minister of Transport to report. The position at present is that the PLA have given notice of their fear that it will be necessary to close the Millwall/West India Docks, starting on 1st July, if there is not a dramatic improvement in the unions' response to the original "concentration plan", which would allow both these docks and the Royal Group to be held open. Although the Minister has reported to you that there is a risk of fairly early union reaction, there are no signs of this so far. The Secretary of State for Employment may wish to comment. He is reviewing separately with the Minister of Transport the whole

question of the future of the National Dock Labour Scheme (for which he, not Mr. Fowler, is responsible) and will be bringing forward proposals shortly.

CONCLUSIONS

3. I doubt if any formal conclusions, other than "take note", will be necessary under this heading.

RTA

ROBERT ARMSTRONG

30th January, 1980

Prime Minister

R
30/1

MO

Nationalised Industries

CONFIDENTIAL

PRIME MINISTER

WATER INDUSTRY PAY

Although no agreement was reached at Monday's meeting of the water industry manuals group NJIC and the employers' offer of 4.2% (about £2.50 per week) in response to the union claim for comparability with gas and electricity was not accepted, negotiations continue on Friday and there is room for guarded optimism that a stage may be reached then at which the unions will agree to put an offer to their members. The employers believe that they have successfully demolished the union comparability claim for £10 per week on rates as such, but it remains doubtful whether they can convince them of the validity of the offer on the table and they may have to increase that to take account at least of the gas industry interim settlement last year. The offer to meet the annual pay claim has not been formally confirmed again though the employers intend that it shall stand at 13.2%.

Now that the local authority manual group have settled at a not unreasonable level, the water industry employers are relieved of the obligation we felt necessary to urge upon them to avoid taking their own negotiations forward too quickly in a way which could embarrass the local government negotiations. I think they are to be commended for the way in which they responded despite obvious difficulties. They will I am sure now seek a settlement as speedily as possible and I shall continue to urge them to do so as you have requested. However, even if negotiations on Friday reach the stage envisaged above - and there is no certainty that they will - it may still take 2 to 3 weeks for the unions' membership to reach a decision.

I was asked at Cabinet last Thursday to check further about the length of warning that might be given in the case of a strike. Although it is perhaps too early to assume that the possibility of industrial action has significantly receded, the fact that there is a negotiable offer on the table which has now been publicised as 17% does in the employers' view mean that the unions would be more reluctant than ever to engage in official action without giving reasonable notice, probably of at least 7 days, during which time efforts could be made to avoid what they also recognise is a potentially hazardous situation. They would more than ever now risk public opprobrium if they took precipitate action. However, the only constitutional constraint on immediate action is the requirement that the GMWU executive would have to meet to approve the recent recommendation of its delegate conference to take action, which could be done in one or two days. But I am advised that official action on that timescale is not likely though the possibility of sporadic unofficial action cannot be ruled out despite the fact that the rank and file generally are believed to be less militant than they were last year.

SECRETARY OF STATE FOR THE ENVIRONMENT

CONFIDENTIAL

I am copying this to members of Cabinet and to Sir Robert Armstrong.

MH

MH

30 January 1980

CONFIDENTIAL

file HS
Local
Govt

10 DOWNING STREET

From the Private Secretary

21 January 1980

Dear David

The Prime Minister was grateful for your Secretary of State's minute of 17 January about the water industry pay negotiations. She hopes that the necessary sense of urgency has been conveyed to the employers.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet and to Martin Vile (Cabinet Office).

Yours ever.

Tim Lankester.

David Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

Nat Ind

CONFIDENTIAL

Ref. A01210

PRIME MINISTER

Cabinet: Prospects for Industrial Action in the Water Industry

We have not listed this on the formal agenda. But you may wish to ask for a brief oral report on the possibilities of industrial action in the water industry. The Home Secretary will be ready to speak on contingency planning, and the Secretary of State for the Environment could comment on the latest position on pay negotiations.

2. No immediate decisions are necessary. The industry are still hopeful of an agreement, but in any case they believe that we would get seven days' notice of a strike, which would allow time to activate contingency plans.

3. The main problem is likely to be that the employers will wish to include a comparability element in the settlement. Both sides believe that they are committed to this as a hangover from last year. Unless this element is explicitly acknowledged, any settlement acceptable to the unions is likely to look big in percentage terms.

CONCLUSION

4. You might

(1) Take note of the current position.

(2) Invite the Secretary of State for the Environment to ensure that the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Employment and Scotland are kept closely in touch with developments on both pay bargaining and contingency fronts.

(3) Agree any guidance which the Secretary of State for the Environment can pass on informally to the National Water Council on the handling of the negotiations.

(4) Invite the Paymaster General and the Central Press Unit to become involved in the presentational aspects of the dispute.

RTA

(Robert Armstrong)

23rd January, 1980

2

10 DOWNING STREET

PRIME MINISTER

You asked whether we have contingency plans ready for possible emergencies if the water manuals go on strike. The note at Flag A, which you saw earlier, sets out the contingency plans pretty clearly. I have passed on your other comment to the Department of the Environment - i.e. that a sense of urgency be conveyed to the employers.

21 January 1980

CONFIDENTIAL

2

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

I hope this serious urgency has been conveyed to the employers and that we have contingency plans ready for possible emergencies. MT.

PRIME MINISTER

TR 17/1

You asked me at Cabinet this morning about the likely timescale for the current water industry pay negotiations.

The present agreement expired in the first week of December. We are therefore on borrowed time, so to speak, with any settlement flowing from the present negotiations due to be backdated accordingly.

Last year a settlement was not reached until 1 March, so in practical terms there is no precise answer to your question. It is simply a question of tolerance by both sides to the current negotiations. What is likely, however, is that the employers will have to proceed urgently with negotiations now that the local authority manuals have settled today and in view of the unions' threat to take industrial action. This is in contrast to the rather leisurely approach which the employers have so far adopted, at our request, while the local government negotiations were in progress.

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

MH

MH

17 January 1980

CONFIDENTIAL

LOCAL GOV^T.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

11 January 1980

Prime Minister

See also note at Flag A on the contingencies position. At Flag D is a Fact Sheet on water industry pay.

TL 11/1

Dear Nick

WATER INDUSTRY PAY

We had a brief word earlier on this. Officials in this Department advise that the underlying situation in the water industry pay negotiations has not changed significantly from that which we gave you on 4 January.

Flag B

However, some progress has been made in the union consultations. NUPE's water national committee, representing 10,000 of the 33,000 manual workers, decided on Monday to recommend that the union's executive gives authority for official action when it meets on 16 January. It is expected that the executive will endorse the recommendation and decide how, when and in what form the action should take place. At a meeting today the delegate conference of the GMWU, representing two thirds of the manuals workforce, confirmed rejection of the employers' offer and agreed that unless the employers are prepared to call an early meeting to discuss comparability they will take official industrial action. The TGWU are balloting their members (1,000) and their decision is expected to be announced - almost certainly following the GMWU line - on 16 January.

The NWC still do not envisage any precipitate official action but consider that in the wake of the union meetings it is possible there may be some unofficial action. They are asking the union side for a formal and reasoned declaration of their position before deciding on the next steps. They will probably avoid any formal response until after the local authority manual negotiations on 17 January, when, following another decision of the GMWU today, a settlement seems likely. They will then consider they have discharged their undertaking to our Ministers not to embarrass the local authority negotiations and, although they have not said so, it seems likely to us that they will be prepared to discuss the comparability issue as such in some form or another with the unions and possibly to make an improved offer overall. Whether it will be enough to lead to a resumption of negotiations, possibly on 28 January, remains to be seen, and much will depend upon the tact and good sense of both sides in the coming week or so.

I am copying this to the Private Secretaries to Sir Keith Joseph and other members of E(EA), to the Minister for Agriculture and to Sir Robert Armstrong. I should add that my Secretary of State has not been able to see this report, as he is not yet fully recovered, but I am sending a copy of this to him to see over the weekend.

Yours ever,

Derek Edmonds

D A EDMONDS
Private Secretary

Nick Sanders Esq
10 Downing Street

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

10 January 1980

MM.

Dear Tim

I attach a note for the Prime Minister's information on the consequences of industrial action in the water industry and on contingency plans to minimise its effects. This has been prepared by the Civil Contingencies Unit Secretariat in consultation with the Department of the Environment in parallel with the report on the situation on pay negotiations sent to Nick Sanders by Jeff Jacobs on 4 January.

I am copying this letter to the Private Secretaries to: members of E Committee, the Secretaries of State for Defence, Scotland, Wales, Northern Ireland, Social Security, Education, to the Paymaster General, to the Attorney General, the Minister of Transport; and also to Martin Vile.

Yours, John

J. A. CHILCOT

T. P. Lankester, Esq.

CONFIDENTIAL

THE WATER INDUSTRY - CONSEQUENCES OF INDUSTRIAL ACTION, AND CONTINGENCY PLANS TO MINIMISE ITS EFFECTS

In the light of the Private Secretary to Secretary of State for the Environment's letter to Mr Sanders of 4 January reporting the situation on pay negotiations in the water industry, the following assessment has been prepared by the Civil Contingencies Unit Secretariat in consultation with the Department of the Environment.

CONSEQUENCES OF INDUSTRIAL ACTION

2. In a work-to-rule or overtime ban (the mildest forms of industrial action), a backlog of repairs and maintenance would build up. Consumers would be inconvenienced but water services could be held at acceptable levels for a considerable period. If a selective strike strategy were followed, key installations might be picked off or limited areas deprived of services. It would also be possible for the strikers, in a limited number of places, to maximise the disruption to industry while minimising the effect on the domestic consumer.

3. The effects of determined industrial action would be serious, with some areas becoming affected more quickly than others. The scope for switching to alternative water supplies would be virtually nil. There would be rapid deterioration as many homes were left without water, untreated water circulated in some systems and sewage flooding became commonplace. The effects in winter weather would be most severe upon the aged, the infirm and nursing mothers, on people in high rise dwellings and in hospitals. Insanitary conditions would rapidly develop making urban life intolerable. The many industries which rely on public supply would be brought to a halt and electricity supplies would be disrupted.

4. In the sporadic unofficial action that took place in January and February last year, water authorities demonstrated their ability to continue to provide a service for a considerable period though at the cost of gradually increasing inconvenience and hardship to the general public. Everything depended upon the willingness of supervisory staff to co-operate in maintaining the service.

5. If the strike became official, serious and perhaps crippling consequences could arise very quickly. If supervising staff co-operated, the industry might continue to provide a deteriorating standard of service for up to 2 weeks before conditions became intolerable. If supervisory staff did not co-operate, intolerable conditions might arise within a day or two, and in some areas within hours.

CONTINGENCY PLANS

6. General. Water authorities have made their own plans to deal with sporadic unofficial action and would also wish to struggle on unaided for as long as possible in the event of an official strike. They would be cautious about using contractors for fear of intensifying industrial action. On earlier occasions, contractors and their employees have been deterred by strikers from taking on strike breaking tasks. Volunteers, encouraged nationally and organised locally, could have a role in helping the sick and elderly to carry water from the streets. The only other source of labour is the Armed Services.

7. Services Assistance

a. The contingency plan to provide Service assistance to the water industry is called NIMROD in Great Britain and would involve 9,500 Servicemen plus command and administrative support. In Northern Ireland it is called FOOTWAY and would involve 1200 Servicemen. The object of the plan is to provide Servicemen of appropriate skills to assist supervisory staff maintain the most basic water services for a limited period. The plan depends upon the co-operation of supervisory staff; with their help it might be possible to maintain greatly reduced and uneven services for a further 4 weeks before conditions became intolerable. Without the co-operation of supervising staff troops would be largely ineffective and could only be used to mount limited rescue operations in the worst affected areas.

b. There is little scope for training Servicemen in advance. But a period of briefing would take place on Army premises during the 48 hours prior to Servicemen taking up their duties. This briefing would relate essentially to safety precautions and would need to be provided locally by divisional managers of water authorities who might need to draw on other senior staff to assist.

c. Confidential consultations, between the Water Authorities and the Services, took place on NIMROD/FOOTWAY last February and again last summer when the plans were completely reviewed. The Secretary of State for the Environment will authorise further consultations as necessary.

d. Meanwhile Servicemen remain at their normal 7 days' notice for tasks of this nature.

8. Emergency Powers. Whilst the use of Servicemen does not require emergency powers, a state of emergency might need to be proclaimed at some stage, in order to mobilise public opinion and to protect water authorities from the legal consequence of failing to carry out their statutory obligations. The timing would be largely a matter of political judgement. Draft regulations are held in readiness.

9. Co-ordination

a. Plans, which can be brought into action at 24 hours' notice, have been made for an emergency system of reporting to Government by water authorities and DOE regional directors.

b. Each water authority is responsible for making its own detailed plans and conducting operations. Co-ordination at national level would be secured by consultation from time to time between Ministers and the Chairmen of the water authorities and the National Water Council, and between officials. Chief Executives would be the principle links between the DOE and the Water Authorities.

c. The Government's role would be co-ordinated by the Civil Contingencies Unit. In the regions, the DOE Regional Directors would liaise with colleagues from the Regional Offices of other Government Departments and would advise water authorities on matters of local government. If the local situation deteriorated beyond a certain point the Government would need to consider establishing Regional Emergency Committees; these would be chaired by DOE Regional Directors in England who would co-ordinate the response of Government Departments in the regions. The territorial departments would co-ordinate activities in Scotland, Wales and Northern Ireland.

10. Public Relations. As in any strike affecting supplies and services essential to the life of the community, it would be very important to bring home to the public the likely consequences of the strikers' action. The Central Press Unit would therefore need to be activated at an early stage. There has already been one (inaccurate) press report about the Government's plans to use troops in the event of a water strike (Daily Mail of 7 January). This has not led to any requests for comment but Government spokesmen have agreed the line to be taken in answer to questions will be 'negotiations are proceeding and there have been no requests to date from the water authorities for Government assistance'.

CONCLUSION

11. Since serious industrial action is unlikely before the end of the month, there is no action that need be taken yet on the contingency planning front. If contingency plans did have to be brought into operation they would at best extend national endurance only from 2 to 6 weeks. Even that would depend crucially on the attitude of supervising staff. This is likely to be influenced by complex inter-union relationships. The consensus view within the industry's management is that, while there is a strong tradition of service amongst supervising staff, their co-operation in the event of official action cannot be taken for granted.

9 January 1980

Local Govt.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

4 January 1980

2

PRIME MINISTER

To see - especially the ominous last paragraph

MS 4/1

Dear Nick

When we spoke on the 'phone this morning you asked for a situation report on the water industry pay negotiations for the Prime Minister. I now attach, as requested, a short note for her information.

I am copying this letter to the Private Secretaries to Sir Keith Joseph and other members of E(EA), to the Minister for Agriculture and to Sir Robert Armstrong.

Yours sincerely

Jeff Jacobs

JEFF JACOBS
Private Secretary

Nick Sanders Esq
10 Downing Street

WATER INDUSTRY PAY SITUATION

On 20 December the unions representing the water industry manual group (33,000) rejected an offer worth 13.1% made in response to their claim of 53% which included 17% to meet a commitment made in last year's troublesome settlement to resolve discrepancies (subsequently identified in a recently agreed joint study) between the pay positions of the manuals in the water industry and those in the gas and electricity industries. The employers did not separate out in their offer any element for comparability with gas and electricity but though they dispute the size of the unions' claim, they consider they are under an obligation to meet the commitment in principle. It was at our instigation that the initial offer was pitched at a level which would not embarrass local government who are negotiating for their manual workers, and it is also in line with the level of the pay assumption used in the water industry cash limit.

Negotiations have not broken down though the unions have indicated they will be looking for an offer which gives proper recognition to the comparability issue before agreeing to resume negotiations, possibly on 28 January. Meantime the main unions concerned (GMWU, NUPE and TGWU) are consulting their members and seeking their support for industrial action. The National Water Council believe that this is intended to strengthen their negotiating position and is unlikely to lead to official action before negotiations resume; but early unofficial action cannot be ruled out, though there are no indications at present that it will occur.

The employers are not likely to decide on their response to the rejection of the offer until union consultations are complete. But they may improve their offer to take account of the comparability issue though not at a level which will meet the unions' claim or expectations. If that is so, much will then depend upon the degree of support for industrial action which the union side as a whole has received during the current consultations.

Negotiations for water craftsmen begin on 24 January. These may also be difficult.

The cash limit, which assumes an increase of just over 13% on paybill, does not have the same effect as it would on less capital intensive industries and, although the water authorities will be reluctant to push up water charges higher than they must, the reality is that any excess can be taken up in this way.

Next Ind

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

6 June 1979

R

6/6

Dear Keith

I understand that it was agreed last Friday that colleagues with responsibilities for nationalised industries should keep each other in touch with pay matters in their industries. I am, accordingly, enclosing for information, a copy of a letter which I sent to Jim Prior on 4 June about pay in the water industry.

E(79) 2nd Mtg Item 1 page 4 Econ Pol (Strat) Mtg 7A

I am copying this to the Prime Minister, the Secretaries of State for Employment, Scotland and Wales, the Chief Secretary, the Minister of Agriculture, the Minister of Transport and to Sir John Hunt.

Yours ever

MICHAEL HESELTINE

The Rt Hon Sir Keith Joseph MP

(9)

Copy

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

4 June 1979

Mr Foster

cc PS/Mr Fox
PS/Perm Sec.
PS/Mr Wardale
Mr Ennals
Mr Semple
Mr Musgrave
Mr Stead
Mr Hobson
Mrs Kahn

WATER INDUSTRY PAY

The Employers' Side of the water industry are currently involved in pay negotiations with two separate groups of their employees and have asked for the Government's views. I should make clear that the Government is not represented on any of the water industry's negotiating bodies and that the pay and conditions of service of water services' employees are the responsibility of the individual water authorities and private water companies, although negotiated nationally. The two groups are the craftsmen whose annual settlement was due on 3 December 1978 and is now long delayed, and the white collar staff whose settlement date is on 1 July 1979.

The craftsmen had been offered a 16% increase, approved by the previous administration, which they rejected. They are now looking for a settlement at around the 25% figure, part of which would be a £5 payment in advance of a joint in-house comparability study the results of which would be implemented at their next settlement date in December 1979.

The Employers, having regard to the present serious shortage of craftsmen in the industry, and the serious consequences of strike action in this vital service, are convinced of the necessity to reach a settlement with the craft unions but are concerned at the high cost and its effect on the recent manuals settlement (16%) and the forthcoming staff negotiations. They have accordingly deferred their response for seven days (ie until Friday, 8 June) to allow for consultations with me and with the full combined Employers' Sides on Wednesday, 6 June. Their present view, which they are unlikely to change, is that the unions' proposals should be met.

The water industry white collar staff have an annual settlement date of 1 July. The main group of white collar staff, who negotiate in the National Joint Council for Water Service Staffs and are mainly represented by NALGO, have submitted a claim to the Employers for a "substantial" common percentage increase, consolidation of the outstanding pay supplements, an efficiency

payment based on attendance at work and other conditions of service improvements. This is in addition to an outstanding claim from last year for a self-financing productivity scheme for staff.

It seems likely that at least a 15% and 16% increase in pay would be necessary to maintain differentials and to reach a settlement for this group, since the water industry manuals have already settled for such an increase, as authorised by the previous administration. The Employers have accordingly been thinking along the lines of offering about 9% plus 6% in terms of a productivity deal.

If I am to give the Employers any policy advice I need to do so urgently. However, as I understand it, our general approach is to leave these matters to the negotiating bodies concerned subject, of course, to the Employers operating within whatever financial and pricing constraints exist. In this case, of course, we have a monopoly utility which broadly speaking operates entirely without Government aid and is free to raise its charges as it sees fit. Furthermore, it is a highly capital intensive service so that a 16% pay increase to the staff, for example, would only result in an increase in charges of between 1% and 2%.

I need hardly say, of course, that the increases of the order of 16% to 28% in this industry could not be given without the risk of repercussions on other forthcoming negotiations. I have immediately in/those of the half million white collar staffs in local government. In the meantime, I am asking the Employers to let me know urgently by what means such increases would be financed.

/mind

As I have already said it would seem to me entirely consistent with our general approach for me to advise the NWC Chairman that the level and structure of the offers to these two groups are matters for the Employers. However, if this is not acceptable to you or John Biffen to whom I am copying this letter, I should welcome advice not only on the level of settlements to be sought but also on the vetting, if any, which sponsor Departments are expected to exercise in relation to particular pay offers.

I am also copying this to George Younger, Nicholas Edwards, Peter Walker and Sir John Hunt.

Yours ever

MICHAEL HESELTINE

The Rt Hon James Prior MP

+ EEA Cttee.

8 ST. JAMES'S SQUARE LONDON SW1Y 4JB
Telephone Direct Line 01-214 6025
Switchboard 01-214 6000

PM.

Rt Hon Michael Heseltine MP
Secretary of State for Environment
Department of Environment
2 Marsham Street
LONDON SW1

6 June 1979

Dear Michael

WATER INDUSTRY PAY

Thank you for your letter of 4 June in which you raise the difficult issue of whether it would be desirable for the Government to give advice to the Employers' Side of the water industry over their current negotiations with the craftsmen and with the white collar staff.

There is clearly a case to be made for advising the Employers' Side to withstand the excessive claim being pursued by the craftsmen and not to move significantly beyond the 16% increase at which the manuals settled. As you say a settlement at a level of 28% would be highly repercussive and, given the monopoly enjoyed by this industry, and its consequent freedom to increase prices more or less at will, there is unlikely to be any real pressure on the Employers' Side to counterbalance their present inclination to meet the unions' claim. On the other hand this group of workers has exceptional industrial muscle and we must avoid encouraging the employers to start a fight if they, and the Government, have little prospect of winning it.

I am less concerned at the level of the proposed offer to the white collar staff but wonder whether it is realistic for the employers to think in terms of a settlement at about 15% or 16% for this group at the same time as contemplating a 28% settlement for the craftsmen.

However, in view of the implications of a 28% settlement for the craftsmen, I would like to suggest that we should consider the best line to take on these two sets of negotiations when the Ministerial Committee on Economic Strategy (Sub-Committee on Economic Affairs) meets on Thursday. At that meeting you could no doubt provide a preliminary assessment of what prospects the employers might have of resisting industrial action; and in the light of that assessment we could decide whether to stand back from these negotiations or whether, and this seems to me the best immediate practical alternative, to encourage the employers

to play for time whilst we put in train urgently a fuller inter-departmental study of the prospects of resisting industrial action before taking a final decision on the best stance for the Government to adopt.

I have confined this letter to these particular negotiations and have not attempted to tackle the more general point you raised about vetting by sponsor Departments. I think that further consideration of this should await the proposed study of pay, prices and efficiency in the nationalised industries, on which we agreed at the meeting on 1 June of the Economic Strategy Committee, and with which we clearly need to press ahead as quickly as possible.

I am copying this letter to the Prime Minister, to Peter Walker, to colleagues on the Sub-Committee on Economic Affairs, and to Sir John Hunt.

Yours ever

Tom

Telephone
01-2[illegible]01

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

With the Compliments of the

Private Secretary to the Secretary of

State for the Environment

(9)

Copy

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

4 June 1979

Mr Foster

cc PS/Mr Fox
PS/Perm Sec.
PS/Mr Wardale
Mr Ennals
Mr Semple
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Mr Hobson
Mrs Kahn

R 6/6

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Yours ever

MICHAEL HESELTINE

The Rt Hon James Prior MP

+ EEA Ctee.