

Confidential Filing

Nationalised Industries Pay

NATIONALISED
INDUSTRIESSEPTEMBER 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.9.80		5.8.81					
25.4.80.		25.8.81					
30.7.80		4.9.81					
7.10.80.		4.9.81					
8.10.80		14.3.88					
22.10.80		17.3.88					
4.11.80							
12.12.80							
16.2.81							

PREM 19/2786

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

16 May 1989

Dear Secretary of State,

UKAEA : INDUSTRIAL PAY

Thank you for your letter of 9 May about the 5.9 per cent opening offer which the UKAEA propose to make to their industrial workers.

I am content with this opening offer but I should be grateful if, in line with normal practice, we could also agree what should be the upper limit to the UKAEA's negotiating remit. I suggest that this should be no more than the 7 per cent Michael Spicer and I agreed for BNFL. I would also be grateful if you would keep me in touch with further developments at UKAEA.

I am copying this to the Prime Minister, other members of E(PSP) and to Sir Robin Butler.

Yours sincerely,

P. Warkles

PP JOHN MAJOR

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

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ECON POL

Public Sector Policy



PRIME MINISTER

POWER WORKERS

Cecil Parkinson has this evening asked for an urgent word with you before Cabinet tomorrow about the latest position in the pay negotiations with the power workers.

As I think you are aware, the power workers have already voted by a large majority for an overtime ban in support of their pay bid. The Electricity Council's present offer on the table is 6.9 per cent. Cecil Parkinson's office tell me that, at a further negotiating meeting tomorrow, that offer is likely to be raised to 7.5 per cent.

But the industry's assessment is that the unions are planning to hold out for 9 per cent. That would involve a further ratchetting up of the already worryingly high level of settlements in this pay round.

Mr. Parkinson is proposing to report to Cabinet tomorrow on the latest position. But he wants to alert you to the position first, and may I imagine want to take your mind on the tactics. Key questions will include:

- how closely do we take the threat of industrial action, bearing in mind the substantial impact the power workers can have - at little cost to themselves - just from an overtime ban?
- notwithstanding the threat, does the Government want the industry to brazen it out and go no further than their planned 7.5 per cent?
- if any further moves are judged to be inevitable/desirable, what should be their extent and timing (NB: the TGWU are an important element in the

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equation and the read-across to the position in the
docks must be considered)?

- what importance should be attached to the 'Hammond
factor'?

I have suggested that Mr. Parkinson comes over at 1050, so
that you have 10 minutes with him before Cabinet. That then
allows 1 hour 20 minutes for the preceeding MISC 128
discussion on broadcasting.

Rec.

PAUL GRAY

10 May 1989

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CCBG.



Treasury Chambers, Parliament Street, SW1P 3AG

Michael Spicer Esq MP
Parliamentary Under Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

NB AM
RRC6
n/b

17th March 1988

Dear Minister,

UKAEA: INDUSTRIAL PAY

Thank you for your letter of 14 March.

I am content for UKAEA to make an opening offer of 4½ per cent but would be grateful to be consulted if they propose to increase their offer subsequently. Like my predecessor, I would of course be opposed to increases justified solely on the basis of comparability arguments with so-called equivalent workforces.

I am copying this letter to the Prime Minister, other members of E(PSP), Malcolm Rifkind, Peter Walker, Tom King, and to Sir Robin Butler.

Yours sincerely

A handwritten signature in dark ink, appearing to read "John Major", written over a horizontal line.

PP JOHN MAJOR

(Approved by the Chief Secretary
and signed in his absence)

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PARLIAMENTARY UNDER
SECRETARY OF STATE

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
3390

Direct Line 01-211
Switchboard 01-211 3000

NBM

Recd

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14 March 1988

Dear John

UKAEA: INDUSTRIAL PAY

The UKAEA have indicated the response they propose to make to their industrial Trade Union Side's pay claim. The Authority will be meeting the Trades Union Side to put their formal offer on 22 March. But there will be an informal meeting about pay matters on Thursday, 17 March.

The Union's claim is similar to that of previous years. They are seeking a substantial (unquantified) increase in basic pay as a further stage in the reduction of the difference in pay between BNFL and the AEA, the rolling-up of grades at the lower end of the non-craft grading structure, a 35 hour week, an improvement in the annual leave entitlement and enhanced payment for leave taken in blocks of 5 days.

The AEA have in mind an initial offer of 4.25% on basic pay and average earnings. They might wish to go higher if the offer to non-industrial civil servants (to whose pay that of AEA's non-industrial is linked) exceeds 4.25%. But they would not wish to match the non-industrial offer if it is lower. They judge that this would precipitate the risk of early industrial action. The Authority are about to start discussions with employee representatives about major reductions in manpower to be implemented over the next two years. During such a period of re-adjustment, the Authority wish to avoid unnecessary damage to the industrial relations climate and to maintain the morale and motivation of the remaining workforce. Against this background, I believe that the Authority's proposal is reasonable and I propose to support it.

The Authority intend to reject the Union's claims relating to hours and leave. They will be looking separately and later in the year at the case for rolling up grades at the bottom end of the non-craft grading structure.

I will keep you informed of developments.



I am copying this letter to the Prime Minister, other Members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland and Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Michael Spicer', with a large, stylized flourish extending from the end of the signature.

MICHAEL SPICER

6k
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10 DOWNING STREET

nat Ind MJ

bc Vereker
Ingham
Hoskyns

From the Private Secretary

9 September 1981

Dear John,

I enclose the record of the meeting which the Prime Minister held on Monday 7 September to discuss nationalised industry pay.

I am sending a copy of this letter and enclosure to the Private Secretaries to the Home Secretary, Secretaries of State for Industry, Environment, Energy, Employment, Trade and Transport, Chief Secretary, Treasury, PUSS (Mr. Fletcher), Scottish Office, Sir Robert Armstrong, Mr. Ibbs (CPRS).

Yours faithfully,

Tim Latham.

John Kerr Esq
HM Treasury

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MR WHITE

NATIONALISED INDUSTRY PAY

Subject to Sir Robert Armstrong's approval,
will you please ask Mr Lankester to circulate
the attached note of yesterday's meeting.

DJM

D J L MOORE

8 September 1981

Attachment:

Sir R. Armstrong

To see this
record of yesterday's
mtg.

DJM 8/9

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SUBJECT

cc Master

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RECORD OF A MEETING ABOUT NATIONALISED INDUSTRY PAY ON MONDAY 7 SEPTEMBER
AT 10 DOWNING STREET AT 1530 HOURS

Present: Prime Minister
Home Secretary
S/S Industry
S/S Environment
S/S Energy
Chief Secretary, Treasury
Chancellor of the Exchequer
S/S Employment
S/S Trade
S/S Transport
PUSS Scottish Office (Mr. Fletcher)
Sir Robert Armstrong
Mr. J.R. Ibbs, CPRS
Mr. D.J.L. Moore

The Chancellor of the Exchequer said that the paper attached to his minute of 4 August to the Prime Minister discussed how the Government might handle nationalised industry pay issues in the coming year. At a time when the CBI were thinking in terms of private sector settlements in the range of 4-8 per cent it was disappointing that many of the nationalised industries were still expecting settlements in upper single figures and perhaps in double figures; the prospects were particularly worrying for the monopoly public utilities who could try to finance relatively high pay settlements from price increases. Faced with this situation there was a good case for Ministers approaching the chairmen of each industry to stress the importance which the Government attached to their achieving lower settlements. In particular cases it would be necessary to decide the extent to which the Government was prepared to support a negotiating strategy which carried a high risk of industrial action. Efforts should be made to draw a ring fence round any particularly high settlements, so as to insulate other industries from knock-on effects.

The Secretary of State for the Environment said that he did not believe that continuing reliance on present techniques, as envisaged by the Chancellor of the Exchequer, would bring about the significant

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reductions in the rate of pay increases which were necessary if the Government were to revive investment and to reduce unemployment. He recommended a new initiative whereby wage and salary earners would be invited to forgo pay increases, either in whole or in part, in return for higher capital investment than otherwise and hence more employment. Such an approach could not realistically be operated on an industry by industry basis and it should be introduced as a national scheme. Insofar as a public sector union did not accept lower pay settlements the excess cost might be offset by not allowing full indexation of, say, tax thresholds or benefits. The onus would then be on the unions to respond to this challenge and to forgo immediate consumption benefits for themselves in the wider economic interest.

In discussion the following points were made:

- (a) It was generally agreed that Ministers should continue to stress, in meetings and in speeches, the importance of the link between the level of pay settlements and the levels of investment and of employment; the results in the last year suggested that, in the private sector in particular, this message was being increasingly accepted. Most members of the Committee considered, however, that it would not be practicable to go further and to introduce a scheme as proposed by the Secretary of State for the Environment. A system whereby excessive pay settlements for some groups led to financial penalties on other groups would be grossly unfair to the latter and would be no deterrent to some unions to seek the best outcome for their own members. There was no case for a general temporary freeze on pay increases; this would provoke high claims both before and after its period of implementation.
- (b) The better course was to approach each nationalised industry individually, recognising the differences between them in terms of their commercial strength and prospects

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and of their industrial muscle. With some industries there was scope for pointing to the trade-off between pay and the level of investment; in other industries the reality was that pay was a relatively small proportion of total costs so that increases would not necessarily have a significant impact on prices. In recognition of these differences the Government should be prepared to accept a scatter in the level of settlements. The chairmen of each industry should be reminded of the changes which had taken place since they had first tabled their provisional assessment of likely pay increases: in particular reductions in the level of the RPI and the CBI's initiative with the private sector. They might also be reminded that their own reputations, and that of their boards, would be affected by their success in negotiating acceptable settlements.

The Prime Minister, summing up the discussion, said that the Meeting agreed that sponsoring Ministers should see each of the chairmen of their nationalised industries to impress on them the importance which the Government attached to their achieving lower pay settlements than they were generally expecting at the moment. The circumstances of the individual industries varied and sponsor Ministers should deploy the particular arguments relevant to each industry. They should not arrange meetings specifically to discuss pay but should raise the question at the first opportunity available. It would not be necessary for the Chancellor of the Exchequer to arrange for another early general discussion on pay between Ministers and the nationalised industries chairmen's group. He might, however, suggest to Sir Raymond Pennock that the CBI might seek the opportunity to discuss with the nationalised industries their expectations for private sector pay settlements and the importance of achieving low settlements in the public sector. More generally, the meeting agreed that Ministers should continue to put across, in meetings and in speeches, the crucial link between pay on the one hand and investment and employment on the other, and to bring home that high public pay settlements were at the expense of employment elsewhere in the economy.

CONFIDENTIAL / The meeting

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The meeting agreed that:

- (i) Sponsoring Ministers should discuss the level of coming pay settlements with each of the nationalised industries for which they were responsible, on the lines indicated by the Prime Minister in her summing up of their discussion.
- (ii) The Chancellor of the Exchequer should suggest to the CBI that they might discuss with the nationalised industries the importance of lower pay settlements.

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9 September 1981

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NATIONALISED INDUSTRY PAY.

Note of a Meeting held at
No 10 Downing Street,
on Monday 7 September, 1981
at 3:30pm.

Prime Minister
(in the Chair)

Secretary of State for the
Home Department.

Chancellor of the Exchequer.

Secretary of State for Industry.

Secretary of State for Employment .

Secretary of State for the
Environment.

Secretary of State for Trade.

Secretary of State for Energy.

Secretary of State for Transport.

Chief Secretary, Treasury.

Parliamentary Under Secretary of State,
Scottish Office (Mr Fletcher).

Mr J R Ibbs, CPRS.

Sir Robert Armstrong.

Mr D J L Moore.

THE CHANCELLOR OF THE EXCHEQUER said that the paper attached to his minute of 4 August to the Prime Minister discussed how the Government might handle nationalised industry pay issues in the coming year. At a time when the CBI were thinking in terms of private sector settlements in the range of 4-8 per cent it was disappointing that many of the nationalised industries were still expecting settlements in upper single figures and perhaps in double figures; the prospects were particularly worrying for the monopoly public utilities who could try to finance relatively high pay settlements from price increases. Faced with this situation there was a good case for Ministers approaching the chairmen of each industry to stress the importance which the Government attached to their achieving lower settlements. In particular cases it would be necessary to decide the extent to which the Government was prepared to support a negotiating strategy which carried a high risk of industrial action. Efforts should be made to draw a ring fence round any particularly high settlements, so as to insulate other industries from knock on effects.

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THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he did not believe that continuing reliance on present techniques, as envisaged by the Chancellor of the Exchequer, would bring about the significant reductions in the rate of pay increases which were necessary if the Government were to revive investment and to reduce unemployment. He recommended a new initiative whereby ~~the~~ ^{wage and salary earners} unions would be invited to forego pay increases, either in whole or in part, in return for higher capital investment than otherwise and hence more employment. Such an approach could not realistically be operated on an industry by industry basis and it should be introduced as a national scheme. Insofar as a public sector union did not accept lower pay settlements the excess cost might be offset by not allowing full indexation of, say, tax thresholds or benefits. The onus would then be on the unions to respond to this challenge and to forego immediate consumption benefits for themselves in the wider economic interest.

In discussion the following points were made:

- (a) ^{It was generally agreed that} Ministers should continue to stress, in meetings and in speeches, the importance of the link between the level of pay settlements and the levels of investment and of employment; the results in the last year suggested that, in the private sector in particular, this message was being increasingly accepted. ^{Most members of the Committee considered, however, that} ~~it~~ ^{it} would not be practicable, ~~however,~~ ^{never,} to go further and to introduce a scheme as proposed by the Secretary of State for the Environment. A system whereby excessive pay settlements for some groups led to financial penalties on other groups would be grossly unfair to the latter and would be no deterrent to some unions to seek the best outcome for their own members. There was no case for a general temporary freeze on pay increases; this would provoke high claims both before and after its period of implementation.
- (b) The better course was to approach each nationalised industry individually, recognising the differences between them in terms of their commercial strength and prospects and of their industrial muscle. With some industries there was scope for pointing to the trade-off between pay and the level of investment; in other industries the reality was that pay was a relatively small proportion of total costs so that increases

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would not necessarily have a significant impact on prices.

In recognition of these differences the Government should be prepared to accept a scatter in the level of settlements. The chairmen of each industry should be reminded of the changes which had taken place since they had first tabled their provisional assessment of likely pay increases: in particular reductions in the level of the RPI and the CBI's initiative with the private sector. They might ^{also} be reminded that their own reputations, and that of their boards, would be affected by their success in negotiating acceptable settlements.

THE PRIME MINISTER, summing up the discussion, said that the Meeting agreed that sponsoring Ministers should see each of the chairmen of their nationalised industries to impress on them the importance which the Government attached to their achieving lower pay settlements than they were generally expecting at the moment. The circumstances of the individual industries varied and sponsor Ministers should deploy the particular arguments relevant to each industry. They should not arrange meetings specifically to discuss pay but should raise the question at the first opportunity available. It would not be necessary for the Chancellor of the Exchequer to arrange for another early general discussion on pay between Ministers and the nationalised industries chairmens' group. He might, however, suggest to Sir Raymond Pennock that the CBI might seek the opportunity to discuss with the nationalised industries their expectations for private sector pay settlements and the importance of achieving low settlements in the public sector. More generally, the meeting agreed that Ministers should continue to put across, in meetings and in speeches, the crucial link between pay on the one hand and investment and employment on the other, and to bring home that high public pay settlements were at the expense of employment elsewhere in the economy.

THE MEETING -

Agreed that:

- (i) Sponsoring Ministers should discuss the level of coming pay settlements with each of the nationalised industries for which they were responsible, on the lines indicated by the Prime Minister in her summing up of their discussion.

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- (ii) The Chancellor of the Exchequer should suggest to the CBI that they might discuss with the nationalised industries the importance of lower pay settlements.

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Ref P0529

PRIME MINISTER

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Nationalised Industry Pay in the 1981-82 Pay Round

BACKGROUND

At its meeting on 2 July E Committee accepted that restraint in pay settlements next year would be a crucial element in economic recovery; and agreed that Ministers should consider in September how such moderation might best be obtained in the nationalised industries. The Chancellor of the Exchequer's minute of 4 August and the paper by the Treasury attached to it address that question in general; minutes by the Secretaries of State for Industry (2 September), Energy (13 August and 1 September), Environment (13 August and 3 September), Transport (28 August) and Scotland (1 September) discuss mainly what they propose to say to "their" nationalised industry chairmen about the next pay round.

2. In the last pay round settlements in the public trading sector averaged just under 10 per cent, about 1 per cent higher than in the private sector, with coal and the monopoly public utilities - water, gas and electricity - reaching above average settlements. The nationalised industry chairmen expect that it will be possible to obtain settlements in the next round which are slightly lower than in the previous round and a little below the increase in the RPI, but still in upper single or even double figures. In the Chancellor's view such an outcome would not be satisfactory; he proposes that Ministers should seek to reduce the level of settlements by making clear to the chairmen of the nationalised industries which they sponsor the sort of outcome which the Government expects and the factors which the industries should take into account in their negotiations.

3. The Central Policy Review Staff are at present examining action to improve the framework for pay bargaining. They are not concerned with the tactical handling of the next pay round; nor does it seem likely that they will suggest any fundamentally different approach to nationalised industry pay from that in the Chancellor's paper.

HANDLING

4. You might begin by discussing the general approach suggested by the Chancellor of the Exchequer; and, if it commands general assent, consider in turn what might be said to the Chairmen of most of the key industries singled out in paragraphs 11 to 14 of the Treasury paper attached to the Chancellor's minute. You will probably want to avoid separate discussion of every industry.

General

Policy specific
5. The Chancellor's proposals seem to raise three general topics for discussion. First, do sponsor Ministers agree with the Chancellor's proposal that they should be much more specific this year than last about the level of pay settlement which the Government regards as appropriate in a particular industry? Do they see any great difficulty in reconciling this approach with the industries' being responsible for the conduct of their pay negotiations?

EFL
6. Secondly, can the Government do anything else to affect the level of pay settlements in the industries? You will want to explore the scope for influencing settlements by using tight pay assumptions in setting external financing limits (EFLs) - although the conclusion is likely to be that these are not very efficient ways of holding down pay. In a number of industries wage costs form only a small part of total costs; industries can normally accommodate high wage settlements within their EFLs by reducing capital expenditure. An alternative approach is to link pay settlements with the approval of investment projects; the problem here is likely to be, as the Secretary of State for the Environment observes in his minute of 13 August, that the main beneficiaries of investment are often not the nationalised industry's own employees.

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7. Thirdly, in his minute of 13 August the Secretary of State for the Environment described as inadequate the approach suggested by the Chancellor. You will no doubt wish to invite him to explain what form the "more imaginative" or "more effective" policy which he desires might take and how it could be implemented consistently with the Government's general philosophy.

Specific Industries - Coal

8. The Secretary of State for Energy states that the Government's objective is that the National Coal Board (NCB) should reach the lowest possible agreement with the mineworkers without pursuing a course of action which would bring with it a significant risk of a strike this winter. This accords with the provisional view recorded at your meeting on 19th June and confirmed in the Home Secretary's minute to you of 22nd July covering the report of MISC 57. The issues left for discussion appear to be whether the Secretary of State for Energy should meet the NCB Chairman to discuss pay in the near future - he thinks not - and how the eventual settlement might be presented publicly. On the latter question there is a conflict between the NCB's inclination to talk the coal settlement up to ensure that NUM members accept it and talking it down to keep down other groups of workers' expectations. The Secretary of State for Energy considers that this is a difficulty which the Government has to live with.

Water, Gas and Electricity

9. You will wish to explore whether these industries are likely to be able to settle for significantly less than the miners: the Secretaries of State for the Environment (minute of 3 September) and Energy (1 September) doubt whether they can and neither can point to much that the Government can do to stiffen the management's resolve. This follows from the analysis in the Annexes to the Chancellor's minute in which it is argued that the very damaging consequences of strikes in those industries, and particularly in water and electricity supply, rule out a high risk strategy.

10. For the longer term it may be worth considering whether there is any action open to the Government which would make it possible to adopt a tougher strategy in those industries. The range of options (eg increased stocks, use of servicemen) which Ministers are considering in relation to the coal industry (not known to several Ministers attending this meeting) is not practicable for those industries. There is the option of "no strike" agreements but the cost of trying to secure them might be disproportionate and they are not relevant to the present pay round. Officials could however look further into the possibilities if Ministers thought that this would be worthwhile.

Other Industries

11. The sponsoring Ministers for the other industries (mainly the Secretaries of State for Industry and for Transport) have indicated their readiness to follow to varying extents the approach advocated by the Chancellor and they have expressed various degrees of confidence about their ability to encourage settlements at the desired level. You may like to invite the Chancellor to comment on whether he considers that the sponsoring Ministers are going as far as can reasonably be expected in the particular circumstances of their industries.

CONCLUSIONS

12. You will want to record conclusions about the Government's general approach to nationalised industry pay and, where appropriate, the line which sponsor Ministers are to take with individual industries.

13. You will also wish to establish by what date Ministers should have made at least a first approach to nationalised industry chairmen. There is a link with the setting of EFLs, which should incorporate whatever pay assumptions emerge from sponsor Ministers' approaches to the industries. The Treasury plan to prepare a paper seeking final decisions on EFLs for Cabinet in late October. If sponsor Ministers could report on their discussions by 9 October that paper could take their outcome into account. (E Committee will also probably be looking at EFLs on 23 September but present indications are that, quite apart from pay assumptions, it will be difficult to reach final agreement then.)

P. L. Gregson
P L GREGSON

4 September 1981

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cc Mr. Hoskyns
Mr. Walters

PRIME MINISTER

Nationalised Industry Pay

You have a meeting on Monday afternoon to discuss the paper enclosed with the Chancellor's minute of 4 August on nationalised industry pay; most sponsor Ministers have responded to your invitation to provide written proposals for the approaches they intend to the Chairmen of their industries. There are several different ways of addressing nationalised industry pay issues.

In terms of general pay policy

Mr. Heseltine minuted the Chancellor indicating that he does not believe that nationalised industry pay can be significantly reduced this round by repeating the techniques of the last round; and that we should therefore "enforce" a more imaginative approach'. Mr. Heseltine probably means by this that other Government objectives can only be achieved by imposing a public sector wage freeze. A discussion of this point would tend to distract the meeting from its more important purposes (below), but if Mr. Heseltine persists you might want to remind him that there are at least two overwhelming arguments against a wage freeze, namely that it is probably impossible to enforce under present circumstances, and that the Government objective of permanently reducing wage push cannot be achieved by artificially holding wages down.

In terms of the influencing of nationalised industry Chairmen

Our ability to influence the negotiating stance taken by nationalised industry Chairmen rests, as it did last year, partly on the EFL constraint, which means that excessive pay rises threaten investment projects, and partly on the example which is being set by the Government in its own sphere of responsibilities. Certain major investment decisions, such as the Vale of Belvoir and BR electrification, do not need to be spelt out; but it would be useful to discuss whether there is any way of persuading Chairmen that EFLs are final, and will not be expanded to accommodate unwise pay increases. As for the Government's example, we can usefully point this year to our record in the last pay round, which is very much better in general than that of the nationalised industries;

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and sponsor Ministers could, without prejudging the outcome of the 15 September Cabinet meeting, informally indicate to Chairmen that this time round the Government will be assuming public service pay increases in low single figures.

In terms of individual industries

We think it is important for pay assumptions in individual industries to be discussed at this meeting. Otherwise, some of the figures that are being bandied around by your colleagues will go unchallenged; some are already too high, and the tendency is of course always to end up higher still. The main general feature of the pay assumptions is that they are too high in the weak loss-making industries (i.e. the ones which do not pose much of an industrial threat). Specifically:

- Coal

David Howell thinks that the NCB aim to settle as low as 7-8%, but will need to present the increase as somewhat larger in order to induce the miners to accept it. Such a figure would be fine, but we would not want it to be presented as being very much greater, because the knock-on effects of a coal settlement in some other nationalised industries are substantial.

- Gas, electricity and water

David Howell has produced a list of reasons why it would be difficult to achieve low settlements in gas and electricity, but is prepared to explore the possibility of a 7% maximum. He should be firmly encouraged in this direction. Michael Heseltine has now commented on prospects in the water industry, stressing that it will be difficult to achieve a settlement below those in the energy industries. You will recall that we decided last year not to face out a strike, and to allow an opening 7.9% offer to be increased several times until it reached 12.3%. We can have very little faith in the Water Council's willingness to keep the cost down, and there may need to be separate discussion of what approach to take to the water industry this year.

- Post Office, shipbuilding and buses

These are the weak loss-makers. Keith Joseph has urged Ron Dearing to reduce his pay assumption from 8% to 5%, but in all three industries there must be a strong case

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for starting at zero. The same also applies to the Scottish Transport Group, where Mr. Fletcher reports that the pay assumption for Scottish buses is around 7½%.

J.

CONFIDENTIAL

3 September 1981

CONFIDENTIAL

cc Mr Walters
Mr Buzind
Mr Virekhar



MS

NATIONALISED INDUSTRY PAY

This minute sets out my proposals for approaching the water industry and the British Waterways Board about pay as requested in your Private Secretary's letter of 5 August convening a meeting on 7 September on nationalised industry pay under your chairmanship.

You will have seen my letter of 13 August to the Chancellor in which I have expressed my deep concern that unless we can enforce a more imaginative approach to nationalised industry pay than hitherto the prospects of containing it within acceptable levels are bleak. I think that it is most important therefore that at your meeting we should examine the proposals submitted by sponsoring Ministers collectively, together with the Treasury paper, to expose the inadequacies of our present position in constraining pay in the public trading sector overall and to explore how we might take or encourage a more effective approach. Having said that, my proposals which follow are necessarily circumscribed by our existing policies and techniques, and since I have in the last two rounds adopted as robust and positive approach, particularly to the water industry, as circumstances allowed, these proposals offer little that is new or promise of more success than in the past.



As far as the water industry is concerned Tom King has already had an initial discussion with the Chairman of the NWC. He stated that he thought it unlikely that it would be possible to achieve a settlement for the manuals (who settle first of the water groups, in December) below high single figures, around 8% - 9%. The formal claim, due to be tabled on 24 September, is bound to relate to the rate of inflation at the time; and, following the precedent set last year, to refer to the miners who are this year due to settle before the water manuals, and whose settlement could therefore have a direct as well as, through the links with the other energy utilities, an indirect influence on the water negotiations.

In previous rounds we exerted maximum direct pressure on the water employers but this is not an easy hand to play. As you know, the industry is capital intensive and the effect on next year's charges of, say, the difference between a 7% and 10% settlement is small - under 1%. We certainly intend to bear down hard on charges this year but the effect on pay bargaining will not be critical. More significant in the longer run, as indicated by the Monopolies and Mergers Commission's Report on Severn Trent, is the way in which productivity schemes are implemented in the industry. We are actively pursuing with individual authorities how these schemes can be made more effective, and will try to give this impact on the forthcoming pay negotiations, although timing clearly poses problems.



We are well aware from the problems of the last round of the difficulties of becoming too involved in day to day negotiations. So far as possible I intend to avoid it this year. Tom King as I have mentioned, already has had one talk with the Chairman, and we shall continue our efforts during September and as appropriate thereafter to bolster the resolve of the employers side to disassociate their negotiations from those of the miners, and to look for a settlement well below the RPI.

It is said that the union leaders do not want a confrontation and this may be one reason why the tabling of their claim has been advanced by a month this year to September. But even if this is true, a particular problem in the past couple of years has been the attitude of the membership who on three occasions have refused to ratify recommended settlements and have endorsed threats of industrial action; there is no reason to suppose they will be any less militant this year.

It is clear that once again the perceived level of the miners settlement and relevant developments in other industries, particularly the energy utilities, are most important factors in the water negotiations and in the attitudes of the workforce. We shall face real difficulties if we seek to bring about a settlement which is much below that achieved or in prospect in those other industries.

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As far as the British Waterways Board is concerned, the external impact of their settlements, coming as they do at the very end of the round, is small. I intend, however, to examine what can be done to relate the industry's pay increases to their poor financial situation and to examine the possibilities for savings in manpower costs to help match increased expenditure, including the wage bill.

I am sending copies of this letter to those attending your meeting on nationalised industry pay on 7 September and to Sir Robert Armstrong.

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M H

- 3 SEP 81

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CONFIDENTIAL



PRIME MINISTER

✓ Mr Waller
Mr Ingham
Mr Vercher.

NATIONALISED INDUSTRY PAY IN THE 1981/82 PAY ROUND

You asked individual Ministers to set out their proposals for handling pay in relation to nationalised industries which they sponsor, for discussion on 7 September.

2 Clearly, the Chairmen of nationalised industries must be left in no doubt of the importance the Government attach to our objectives on pay in the coming round. They have been getting the same message from the CBI - with a reminder of the damaging effects on the private sector of price rises resulting from high pay settlements in the public sector.

3 In the last pay round we deliberately refrained from overt involvement in negotiations in individual industries, except in our role as banker, and this played a large part in the success of our overall strategy. We must certainly continue to underline the financial and other consequences of excessive settlements, but we should again avoid too heavy handed an approach - for example using an industry's investment programme as a crude penalty or reward for its performance on pay.

4 The position of the individual nationalised industries within my responsibility and BL and Rolls Royce is summarised below. Most settle relatively late in the pay round and there is bound to be

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some 'knock on' effect (good or bad) from earlier settlements.

Post and Giro (Settlement dates: 1 April and 1 July)

5 Kenneth Baker has stressed to Ron Dearing the Government's wish to see settlements in low figures and strongly urged him to reduce the present 8% pay assumption for Posts in 1982/83 to 5%. Provided the telecommunications system keeps going, a postal strike should be largely ineffective.

6 The Post Office will seek a low settlement and they are taking steps to break the traditional parity link with BT (there is a current dispute with supervisors on this point.) One complicating factor is that all unions except the Union of Communications Workers have a unilateral right to go to arbitration, although the findings are not legally binding on the parties.

7 Much has still to be done to improve postal efficiency, but we should give Ron Dearing credit for his tough and successful efforts (for example at the London stations, Liverpool, Manchester and recently at the London Western District Sorting Office) to end bad working practices which his predecessors tolerated for many years. In his first year he has eliminated 3 million (out of some 60 million) overtime hours. Savings in hours regrettably do not translate directly into savings in costs, as the productivity agreement with the workforce gives them 70% of the

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benefit. But I will take what action I can to help Ron Dearing secure a more even sharing of the savings, even if this will take time.

8 The prospects for Girobank are difficult to predict because in 1982/83 pay levels there will, for the first time, not be tied to those in British Telecom.

British Telecom (Settlement date: 1 July)

9 Kenneth Baker has told George Jefferson what the Government are looking for on pay. There is little scope for putting on pressure through the investment programme, but BT are well aware of the harm that pay rises can do (through resulting price increases) to their plans for expansion and development. These will bite all the more now that BT faces competition.

Sir George has already emphasised this in a speech to the POEU Conference and I will encourage him to press this message home. But the strength of this approach is blunted by the belief, shared by Sir George and his workforce, that BT should be permitted to finance more of its investment by external borrowing (a view I share).

10 Competition is the key. The measures we have introduced through the BT Act will bring home the economic realities to all in BT. The sooner we can make progress with project Mercury the greater the competitive pressures will be. But in the short term industrial action by BT workers could cause serious disruption to industry, commerce and the City.

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British Shipbuilders (Settlement date: 1 April)

11 Norman Tebbit has told Robert Atkinson that we expect a very much lower settlement than the 8% assumed in the Corporate Plan and their Intervention Fund application: he has accepted this. We will reinforce the point by seeing that revised wage assumptions are reflected in their new Investment and Financing Review figures due in the middle of this month and in future Intervention Fund applications.

British Steel Corporation (Settlement date: 1 January)

12 The main constraint on pay is the target we have set for BSC to break even in 1982/3: this leaves little room for any significant increase in basic pay rates in the coming round. Continued improvements in productivity to reduce unit costs are what are required: there has been a good deal of progress in BSC as a whole over the past year but much more needs to be achieved, particularly in Scottish and Teesside works. I will be discussing BSC's strategy with the Chairman at the end of this month: he is already well aware of the need for a low settlement, but I will definitely raise the pay and productivity issues with him then.

BL Limited (Main settlement dates: 1 September and 1 November)

13 Michael Edwardes needs no urging to keep employees' pay settlements at a reasonable level (1978 5%, 1979 5% with 10% for

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skilled workers; 1980 6.8%). In response to opening claims of 15-20%, BL have told their workers that they have to consider seriously whether they can afford any pay increase at all. I understand that BL have in mind different settlements for the cars business and for the commercial vehicle business. You are aware that important decisions are to be taken by the BL Board on the future of the commercial vehicle business within the next few months. The settlement for the cars business will probably be higher than for the commercial vehicle business, but in both cases management are aiming for increases in low single figures.

Rolls Royce Limited

14 I will make an early opportunity to discuss pay with Frank McFadzean. Rolls normally begin their round of pay talks, which are conducted on a plant by plant basis, after the national engineering settlement has been announced. Of late Rolls pay increases have been tied very much to real productivity improvements.

I am sending copies of this minute to all those attending the meeting on 7 September and to Sir Robert Armstrong.

K J

2 September 1981

Department of Industry
Ashdown House
123 Victoria Street

CONFIDENTIAL



✓ Mr Walton
Mr Duguid
Mr Vordhe

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
TELEPHONE: 01-233 3000

Private Secretary to the Prime Minister
10 Downing Street
LONDON

1 September 1981

Dear Mr Lamkester,

NATIONALISED INDUSTRY PAY

As requested in Mr Hilton's note of 10 August, I attach a paper setting out our proposals for approaching the Chairmen of the 2 Scottish Electricity Boards and the Scottish Transport Group about the need for restraint in pay settlements in the coming pay round.

h As you will see from the paper, Ministers here are fully prepared to raise the subject with the Chairmen of their industries and to seek as far as possible to persuade them to use their influence to support the need for lower settlements next year.

I am copying this letter and the paper, as requested, to those attending the meeting and to Sir Robert Armstrong.

Yours sincerely,

Paul Stephenson

PAUL STEPHENSON
Private Secretary

NATIONALISED INDUSTRY PAY: POSITION OF SCOTTISH ELECTRICITY BOARDS AND THE SCOTTISH TRANSPORT GROUP

1. The Secretary of State for Scotland is responsible for the sponsorship of the 2 Scottish Electricity Boards (the South of Scotland Electricity Board and the North of Scotland Hydro Electric Board) and of the Scottish Transport Group. Consideration has been given to how best the Chairmen of these organisations might be approached to persuade them to use their influence in support of the adoption of a policy of restraint in the approach to the next pay round.

THE SCOTTISH ELECTRICITY BOARDS

2. There is no separate negotiating structure for pay in the Scottish Electricity Boards. The machinery for the negotiation of terms and conditions of employment in the electricity industry is comprehensive and embraces the whole of the industry in England, Wales and Scotland.

3. The negotiation of the terms and conditions of employment of each category of employee is reserved to the appropriate national negotiating body and provision is made for arbitration if need be. There are 5 such bodies in all, covering industrial staff; building and civil engineering industrial employees; technical engineering and scientific staff; administrative and clerical grades; and senior managerial and professional staff.

4. Given the nature of this structure, Energy Ministers will clearly have the leading role to play in persuading the electricity industry to accept the need for restraint in pay settlements next year. Scottish Ministers will however seek to give their full backing to these efforts and will arrange for a full discussion of the issues involved with the 2 Chairmen by the end of September, as suggested by the Chancellor. (The electricity industry settlement dates - 1 February and 1 April - fall late in the pay round.) To achieve the most useful impact within the industry, it would be valuable to co-ordinate the Scottish approach to take place as close as possible to the date of any approach by Energy Ministers to their Chairmen.

5. On a continuing basis, use can also of course be made of the frequent informal contacts which take place at senior official level with the Chairmen and their deputies to underline the importance with which the Government views the achievement of a marked reduction in the level of pay settlements next year.

6. The tactics and arguments to be used in approaching the Chairmen can be discussed in detail nearer the date of the meeting to ensure that a united approach is adopted by both Scottish Office and Energy Ministers.

7. STG is involved in pay negotiations on behalf of both their shipping subsidiary (Caledonian MacBrayne Ltd) and their bus subsidiary (Scottish Bus Group). There is no separate negotiating structure for pay on the shipping front. STG is a member of the General Council of British Shipping but in practice has a very small voice in pay discussions. It has in the past applied the National Maritime Board rates of pay to its own seamen, who are mainly in the NUS.

8. There is a separate negotiating structure, however, on the bus side. STG handle negotiations directly and for a number of years settlements have been below the current rate of inflation. Pay increases for this year have been held to $7\frac{1}{2}\%$ including the consolidation of existing supplements into the basic rate of pay. STG's corporate plan assumes an increase in bus pay of around $7\frac{1}{2}\%$ for 1982 and is relatively confident a settlement can be achieved within this target, although the separate negotiations involving the National Bus Company and the local authority undertakings will inevitably influence STG's negotiations.

9. Bus operations account for some 85% of STG's business. The Board is keen to build on its recent successes in keeping wage rises down. Mr Malcolm Rifkind will be meeting the Chairman to discuss prospects in the coming pay round and to encourage STG to aim for an even lower settlement than is currently projected. This kind of approach should secure maximum Board support for our aims. To take a firmer line, as the Treasury suggest, and link approval of STG's investment plans to performance on pay when these plans are already under pressure in the context of the EFL discussions could alienate that support.



✓ Walter
Anguid
Veeher

Prime Minister

NATIONALISED INDUSTRY PAY - GAS AND ELECTRICITY

I wrote to you on 13 August about the miners' pay negotiations.

The way I propose to approach the Chairman of the gas and electricity industries is set out in the attached paper, which I am copying to those attending your meeting on nationalised industry pay on 7 September and to Sir Robert Armstrong.

DG.
2

Secretary of State for Energy

1 September 1981

C O N F I D E N T I A L

NATIONALISED INDUSTRY PAY

Energy Industries - Approach to Chairmen of Gas and Electricity Industries

1. The Chancellor's minute of 4 August proposes an early approach by sponsor Ministers to Chairmen on lines indicated in the paper by Treasury officials.
2. Apart from coal, about which I wrote separately to the PM on 13 August, the key negotiations which merit a personal approach on my part are gas and electricity.
3. The general factors affecting these negotiations are described in the Annex to the Treasury paper. Both come late in the pay round (settling mid-January for gas, 1 February to 1 May for electricity with settlements often delayed till mid-Summer). For both, the unions' claim, and the managements' strategy, are likely as always to be influenced by the trend of negotiations and likely settlements with miners (1 November) and water manuals (7 December) as well, of course, as by the trend of the RPI.
4. In addition to these factors, our approach to both negotiations must be conditioned by four other considerations:
 - a. a realistic assessment of the industrial power of the unions concerned;
 - b. the smallness of pay as a factor in total costs and prices (5% on pay equals about ~~3%~~ on electricity costs and prices, and ~~1%~~ on gas costs, where however prices are market-related; in both cases this is well within any reasonable margin of error on EFL calculations);
 - c. the importance of both their investment programmes, particularly gas, and their current operations;

C O N F I D E N T I A L

d. the effects on both industries of the public expenditure cuts which we are now seeking in the IFR context.

5. I agree that I should approach both Chairmen to stiffen their resolve to obtain the lowest possible settlement, particularly in the case of BGC who indicated at the Chancellor's meeting with NICG on 9 July that they were not hoping for an outcome better than about $1\frac{1}{2}\%$ below the inflation rate.

6. I shall do this in two stages. I shall have preliminary discussions later in September when we have received the industries' responses to our decisions in the IFR exercise, where my officials will be looking in any case for revised pay assumptions below both industries' current assumption. I shall use this opportunity to raise the four points on investment, productivity, pay structure and presentation suggested in para 13 of the Treasury paper on NI pay. But we must recognise that, whether taken on investment or current costs, IFR cuts may entirely foreclose the remote possibility (for gas and electricity) of any further trade-offs between pay on the one hand and investment on the other. I would, however, seek the Chairmen's views on such trade-off possibilities during my September discussions. I should also explore with each of them their view on the realism of sticking to a 7% pay maximum, even if the miners, or the water workers, should achieve more than this.

7. I shall follow up these preliminary discussions with a further meeting in November, when we can see the likely outcome in the Coal Industry. This will enable the Chairmen and me to make a more realistic assessment of the prospects. At that stage the implications of our public expenditure decisions will also be clearer and, in the case of BGC, we shall also have a better feel for union reactions to our decisions on appliance retailing, which could influence attitudes.

C O N F I D E N T I A L

8. It may well be that this industry-by-industry approach will lead to setbacks and unsatisfactorily high settlements in some cases. But I believe the alternative of enforcing a more comprehensive approach raises dangers which would be far greater and that we would therefore be wise to continue grappling with each situation as we did in the last round.

MAP Sam. B/F 4/9

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depth comments
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Prime Minister

NATIONALISED INDUSTRY PAY

When your Private Secretary wrote to arrange a meeting under your Chairmanship on the above subject on 7 September, he said that you would like Sponsoring Ministers to set out their proposals in writing to you in advance. Last year I saw all of my Chairmen during the Autumn to discuss pay. It gave me a chance to underline the importance of achieving low settlements and to hear their ideas on how the negotiations might go. With the exception of British Rail, on which I have minuted you separately, the settlements achieved in the Transport Sector over the past round were in general well towards the lower end of the pay spectrum.

I would propose to repeat the exercise this year. In particular, I shall be wanting to hear from my Chairmen their assessments of the prospects for low pay deals. All are likely to be familiar with the CBI's recent initiatives on this front and to be keenly aware of the need for restraint. I shall of course be emphasising the necessity for an even more stringent approach in the coming year. I also propose to discuss with Chairmen the scope for better public presentation of the bargaining postures and the settlements reached. All too often the bald basic pay increase figures are publicised by the unions and the media and the true facts about productivity agreements, economies and demanning (all of which contribute to funding pay awards) are ignored. The result is that artificially high aspirations are created for those who follow.

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Probably the biggest pay problem over the next year will, once again, be British Rail. As you know, despite being tripped up by McCarthy, the Board maintained a tough line and is now concentrating its efforts on the productivity package which was agreed after the ACAS intervention. I shall, of course, be talking to Sir Peter Parker early in September about next year's finances when we shall have to cover pay. On the docks' front BTDB has a good track record for tough bargaining and they can be relied upon to continue that posture in this round. I understand that their pay target is likely to be around the 5% to 6% mark. The National Freight Company Limited should, if all goes according to plan, have been sold by the 1 January settlement date and will be outside the scope of public sector pay.

But the signs are that the Road Haulage Sector generally expect a very tough round following the TGWU decision to press for increases well in excess of 40% - double the target for last year. I am due to speak at conferences of both the Freight Transport Association and the Road Haulage Association during the next couple of months when I shall be reminding the industry of the urgent national need for greater restraint.

The National Bus Company faces a particular problem in that its settlement date is well towards the end of the bus pay round. In these circumstances the chances of NBC securing a settlement markedly lower than the rest of the bus sector must be slim. Their problem is likely to be exacerbated if some of the new, Left-Wing, local administrations elected last Spring insist on increasing bus workers' pay relative to other workers at the ratepayers' expense. We are to consider again at E, later in September, how we can best deal with this problem.

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The overall problem for settlements in the Transport Sector is that they tend to come later on in the pay round and preceding events have a significant influence. This reaffirms my view that Michael Heseltine is right in the comments he makes in his minute of 13 August to the Chancellor and that this year we need something more than an industry by industry approach.

I am sending copies of this minute to all those attending your meeting on Nationalised Industry Pay on 7 September and to Sir Robert Armstrong.

NORMAN FOWLER

28 August 1981

CONFIDENTIAL

✓ Mr Walter
Mr Duguid
Mr Vereker



Nigel Lawson

✓ NAD

Treasury Chambers, Parliament Street, SW1P 3AG

Norman Lamont Esq MP
Parliamentary Under Secretary of State
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

25 August 1981

Dear Mr Lamont

UK AEA INDUSTRIAL PAY NEGOTIATIONS 1981-82

In Geoffrey Howe's absence I am replying to your letter to him of 18 August.

As you say, the AEA management's line is not inconsistent with what was conveyed to the nationalised industry Chairmen at their meeting with the Chancellor and other Ministers on 9 July. I do not therefore wish to raise objection to what is proposed, nor would I think it necessary to defer any moves until after the meeting to discuss nationalised industry pay which the Prime Minister has arranged for 7 September, unless other colleagues think otherwise. Indeed a $4\frac{1}{2}$ per cent offer could have a helpful effect on expectations at this stage.

I am copying this letter to the Prime Minister and other Ministers attending the meeting on 7 September. I am also copying the correspondence to the Lord President, in view of the past links between this group and the industrial Civil Service.

Yours sincerely,
Nigel Lawson (Privately Secretary)
NIGEL LAWSON
(Approved by the Financial Secretary and signed in his absence)



From the Secretary of State

Ps Lord T
Ps Mr Eyre
Ps Secretary
Mr Knighton
Mr Blanks CAP
Mr Coates WEG
Mr Clarke (on file)

cc. Jackson
Original
Vickel

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London, SW1P 3AG

21 August 1981

Dear Geoffry,

NATIONALISED INDUSTRIES' PAY

Thank you for sending me a copy of your minute of 4 August to the Prime Minister. I have also seen copies of the replies from David Howell and Michael Heseltine.

You did not include the Department of Trade nationalised industries (British Airways and the British Airports Authority) in the assessment attached to your minute. However, subject to the outcome of our discussion on 7 September, I should be happy to raise with the Chairmen of these industries the prospects for pay settlements in their industries in the coming round and stress to them the importance of keeping their settlements as low as possible.

I am copying this letter to the recipients of yours.

Yours
John Biffen

JOHN BIFFEN

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PARLIAMENTARY UNDER
SECRETARY OF STATE

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01-211 3390
Switchboard 01-211 3000

The Rt Hon Sir Geoffrey Howe
QC MP
Chancellor of the Exchequer
Parliament Street
SW1P 3AG

18 August 1981

NBPM yet

MA

Dun Grolly

UKAEA INDUSTRIAL PAY NEGOTIATIONS 1981/82

The AEA's annual pay settlement for industrial workers is due on 1 October, and AEA management will be meeting the unions on 25 August for the first time. I am therefore writing in David Howell's absence to let you know in advance of management's planned negotiating position.

The unions have submitted a "substantial" claim and are expected to press management hard in the negotiations. My officials have been in contact with the AEA management, who have taken full note of our wish to see a substantial deceleration in pay in the current round, and of the points made in our 9 July meeting with Chairmen.

It is clearly important that the Authority should table proposals which have a good chance of success while reflecting our aims for this pay round. The Authority propose to make an opening offer of about 4½% on 25 August, with the aim of achieving a final settlement within an overall cost of about 5½% (closer to 5% than 6%).

The Authority are also considering the possibility of moving the industrials' settlement date to 1 April (as for AEA non-industrials). Such a change would have industrial and financial management advantages, including alignment of the pay and financial years. The Authority's management have said that if this change is made, the increases referred to above will be reduced pro rata.



I consider that the AEA have a reasonable chance of succeeding in reaching a settlement along these lines, and this would be a satisfactory outcome. Last year's increase was 8.97% on the wage bill, and a 5½% settlement would be a substantial reduction from that figure, and well below the current 11% RPI. Accordingly I will ask my officials to tell the Authority that the Government sees no objection to their proposals, subject, of course, to the cost of any settlement eventually reached being accommodated within the cash limits set for the current and future financial years. They would make clear to the Authority that they should not go above the figure of 5½%. They would also ask to be kept informed of progress in the negotiations, particularly if there was any question of failure to reach a settlement at the proposed level.

I am sending copies of this letter to the PM and colleagues attending the PM's pay meeting on 7 September.

Yours

Norman

NORMAN LAMONT

CONFIDENTIAL

Top copy
Nat Ind PE 4
Miners Pay.

BF 4/9/81

17 August 1981

The Prime Minister has seen your Secretary of State's letter of 13 August about miners pay.

She will want to discuss these issues at the meeting scheduled for 7 September.

I am sending a copy of this letter to David Wright (Cabinet Office).

M. A. PATTISON

Julian West, Esq.,
Department of Energy.

CONFIDENTIAL

Top copy
Nat Ind, Pt 4
Miners' Pay

PRIME MINISTER

Mr Verdon (2/10)

mb

NATIONALISED INDUSTRY PAY - COAL

I have seen a copy of the Chancellor's minute of 4 August to you, enclosing a paper by Treasury officials on this subject. I have also seen a copy of your Private Secretary's letter of 5 August.

2. We are all agreed that our objective on miners' pay is that the NCB should reach the lowest possible agreement with the NUM without, however, pursuing a course of action which could bring with it a significant risk of a national miners' strike this winter. I believe this points to the conclusion that we should go along with the NCB's approach to the negotiations as set out in the Annex to the Treasury paper. Derek Ezra has already told me that the Board will, of course, be aiming for as low a settlement as possible. As indicated in the Annex to the Treasury paper he is aiming to settle for an increase of some 7%-8% on the Board's wages bill, although some of his colleagues consider a slightly higher figure (but still below the annual rate of inflation) may be needed to reach a settlement. It is, however, early days and much depends on avoiding disturbance of the negotiations by outside issues. However, the Board will no doubt again wish to present the increases as somewhat larger so as to enhance the chances of the miners accepting it. I realise this approach has presentational difficulties for other industries. But it is clearly preferable to the Board having to settle for a larger real increase, bearing in mind that as last year, the NCB can be expected to keep other industries fully briefed on the real nature of any settlement.

Prime Minister

You have agreed to have a meeting in early September to discuss how we should approach the coming pay round in each of the nationalised industries. This note can be considered then, along with the notes that have been commissioned from other sponsored Ministers.

TL

14.8

(See also

Mr Hamilton

note

attached)

- 2 -

3. At the moment the NUM seem unlikely to submit a claim before the second half of September. They are particularly anxious that their claim should not become mixed up through the 'Triple Alliance' with any national railway strike. Substantive negotiations will therefore probably not begin until October and are unlikely to be completed by the settlement date, 1 November, as any deal will almost certainly have to go to a ballot. In the interim Derek Ezra has set up a negotiating committee on which Norman Siddall and James Cowan (Board Member for Industrial Relations) will serve.

4. The Board are also aware that there is inevitably a link between our willingness to continue investment in the industry on a large scale and their ability to contain wages and thus pave the way for a return to profitability. Indeed, Derek Ezra explicitly acknowledged the link at the Chancellor's meeting with NICG on 9 July.

5. In the light of my earlier discussion with Ezra and the points on pay which the Chancellor made at his meeting on 9 July, I find it difficult to see any advantage in my meeting Ezra in the near future to discuss the forthcoming miners' claim. Indeed, I believe it could be disadvantageous if, as is likely, news of the meeting were to leak out and it were to be seen as a sign of renewed Government pressure on the NCB. This would almost certainly lead to a hardening of attitudes in the NUM.

6. Whilst there are those in the NUM, particularly Arthur Scargill, who would undoubtedly like a political confrontation with the Government at an opportune moment, the Board do not believe that the NUM are likely to try to mount such a confrontation this year. I agree with this assessment. There are, however, a number of developments which could possibly act as a flashpoint. For example the Board

- 3 -

successfully reduced the workforce by over 10,000 men over the past year (or some 5%) and plan a similar reduction this year. NUM pressure for a vigorous recruitment campaign, notably of juveniles, is mounting and could lead to trouble. Again, we are considering the Board's investment programme and EFLs in a separate context. If the NUM believed that investment in the Plan for Coal was being seriously called into question, at the very least this could lead to a hardening of their attitudes in the wage negotiations and to wider difficulties. There is increasing awareness in the NUM that we have cut back the Board's investment programme in real terms this year, as well as growing resistance to the Board's laudable efforts to cut down on investment in high cost mines, which the NUM consider to be closure by the back door. All these problems should be manageable if the Board and the Government play their hands carefully.

7. The Board have undertaken to keep me in close touch with developments and, as in previous years, I shall keep you and other colleagues fully informed.

8. I am sending copies of this letter to those attending your meeting on nationalised industry pay on 7 September and to Sir Robert Armstrong.

14
~

SECRETARY OF STATE FOR ENERGY

13 August 1981

*cc Mr Hodgson
Mr Viner (op/)*



*Ami Amist
Mr Heseltine repeats
a familiar theme
of his.*

*2
✓ A. Walters
A. Duguid
J. Viner*

Chancellor of the Exchequer

Fig A I have read your note of 4 August to the Prime Minister about Nationalised Industry pay; and your minute of the same date covering the monitoring reports on public sector pay. *12/18*

You will not be surprised from my earlier statements that I do not believe the note on nationalised industry pay measures the gravity of the political, social or economic situation that faces us; and the monitoring report indicates a situation rapidly getting out of control.

Let me start by quoting from page 2 of the nationalised industry note when you accurately reflect the views of the Chairman of the Nationalised Industries.

"They felt that a small reduction from the level of settlements in the previous pay round might be achieved, with settlements a little below the year-on-year rate of increase in the RPI. This implies that the Chairmen are expecting settlements certainly in upper single figures and perhaps into double figures; and this impression is borne out by their planning figures in the Investment and Financing Review. Such an outcome would be a long way from the sort of settlements needed to provide any real scope for economic recovery and increased output and employment."

I wholly agree with that conclusion.



Now I move to page 4 para 9.

"While the Government's primary channel of communication with industries will of course be through the Chairmen and Boards, the scope for directly influencing the expectations of the union and the workforce generally also needs to be kept in mind."

But we all know and all our experience tells us that this is a wholly inadequate approach. The Chairmen don't have the stomach for it. Not the least because they suspect we won't back them.

There is no prospect of winning the break through we need if we rely on individual confrontations with industry after industry expected to do the best it can. Already the police are through at 13.2%, the firemen are also likely to have an indexed settlement which would be little lower than that for the police, and you will know that many Nationalised Industry Chairmen will find they have difficulty to get into high single figures. As this year, the nationalised industries are all too likely to pay significantly larger increases than private industry. Nor do I believe it is realistic to think that against the sort of outcome I foresee above the administrative settlements can be expected to be in low single figures particularly after what has been said to the Civil Servants.

You also ask in 8(b) if there is a possible relationship between pay restraint in an industry and its capital investment programme. Across the generality of industries I doubt it. There are too many cases where the beneficiaries of high investment in an



industry are not that industries employees but the wider community. So I don't see how a given set of employees can be expected to accept restraint for investment for others if those others are not also accepting restraint.

My conclusion remains that you cannot expect to break significantly into nationalised industry pay this round by a repeat performance of the techniques of the last round. And if we don't make progress this round in this direction then the prospects for lower levels of inflation are bleak not just because of the examples these pay claims will create but also because of the consequent price increases which will fuel claims throughout the economy.

To proceed as we are seems to me to offer a bleak prospect of success and I believe we have to enforce a more imaginative approach. I do not believe we can deal with the issue of pay out of the context of the public expenditure discussion we are to have early in September and about which I am now writing to colleagues to express views I have expressed before but which have been much reinforced by my visit to Merseyside.

I am sending a copy of this minute to the Prime Minister and to all Cabinet colleagues who are, if not directly sponsoring Nationalised Industries, totally involved in the issues raised. I would suggest that the issues raised should be discussed by colleagues, as early as possible in September. Since drafting this minute I have learned of the meeting on nationalised industries pay, under the Chairmanship of the Prime Minister, fixed for Monday 7 September.

M H

F. P. Lankester, Esq.



BF 27/VIII

MA.

With the Compliments
of the
Private Secretary
to the
Secretary of the Cabinet

Cabinet Office,
London, S.W.1.

CONFIDENTIAL



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A05428

10th August, 1981

Nationalised Industry Pay

Tim Lankester wrote to you on 5th August about the Prime Minister's wish to chair a meeting to discuss proposals from individual sponsoring Ministers on how they might approach the Chairmen of their nationalised industries about pay, in the light of the paper circulated by the Chancellor of the Exchequer with his minute of 4th August.

This meeting has now been arranged for Monday 7th September 1981 at 3.30 pm at 10 Downing Street, and the following have been invited to attend:

- Secretary of State for the Home Department
- Chancellor of the Exchequer
- Secretary of State for Industry
- Secretary of State for Employment
- Secretary of State for the Environment
- Secretary of State for Trade
- Secretary of State for Energy
- ✓ Secretary of State for Transport
- Chief Secretary, Treasury
- Parliamentary Under Secretary of State, Scottish Office (Mr. Fletcher)
- Mr. J.R. Ibbs, Central Policy Review Staff

Sponsoring Ministers are asked to send papers to the Prime Minister setting out their proposals for approaching their industries by close of business on Tuesday 1st September with copies to others attending the meeting, and to Sir Robert Armstrong.

I am sending copies of this letter to Tim Lankester (No. 10) and to the Private Secretaries of those invited to the meeting.

BGH

(B.G. Hilton)
Assistant Private Secretary

P.S. Jenkins, Esq.

Nat. Ind

Mike - to note.

(I wish of course

do the mty, but

can we pls. check that

PM. as in order etc).

17/8

CONFIDENTIAL



*File 16
Next Ind.*

10 DOWNING STREET

From the Private Secretary

MR. WRIGHT
CABINET OFFICE

*Arranged for
1530 on
Monday 7
September.
R to
deal*

NATIONALISED INDUSTRY PAY

You will see from the attached copy letter that the Prime Minister has agreed to Chair a meeting in early September to discuss sponsoring Ministers' proposals on how they would approach the Chairmen of their Nationalised Industries on pay in the coming round. Could I please ask your Office to set up the meeting and to arrange that sponsoring Ministers respond with their proposals.

~~I.P. LANKESTER~~

5 August 1981

A

CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

+ Ho
Co
CPRS

cc: E(NF) ✓/o.
(Hmt) Nad
D/ND hd
DOE ✓ Caroline
Jo Verker
DI Trade Duguid
5 August 1981
D/N Waller
DI Trans
Chief Sec, Hmt

NATIONALISED INDUSTRY PAY

The Prime Minister was grateful for the Chancellor's minute of 4 August enclosing a paper on pay in the Nationalised Industries in the coming year. She agrees that there should be a discussion in early September which she would Chair, on the basis of proposals from individual sponsoring Ministers on how, in the light of the paper, they would propose to approach the Chairmen of their respective industries.

I am sending a copy of this letter to the Private Secretaries to the members of E(NF), John Halliday (Home Office), David Wright (Cabinet Office) and Gerry Spence (CPRS).

I. P. LANKESTER

Peter Jenkins, Esq.,
H.M. Treasury.

CONFIDENTIAL

209



10 DOWNING STREET

Ym.

I've now looked at
the paper enclosed with
the Chancellor's minute
to the PC today on
N.I. pay.

I think the main
point for the PC is to
agree that should be a
discussion, which she
ought to chair, in
September; and on the basis
of the specific proposals
by sponsor Minister which
the Chancellor proposes.

✓ N. 4/8

CONFIDENTIAL



*Mr Vericker
Mr Auguid
Mr Walters*

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

PRIME MINISTER

NATIONALISED INDUSTRY PAY

Yes not

*Ann Smith
Agree that there
should be a
discussion in September
under your chairmanship*

The CPRS are already producing a report on what might be done to achieve our objectives on pay in both the public and private sectors. But when E Committee considered my memorandum on pay in the coming year (E(81)66 at E(81)23rd meeting) I mentioned that it would be helpful if a plan were prepared for handling nationalised industry pay issues in the coming year. My officials have been pressing on with work to this end in consultation with the other departments concerned, including, of course, the CPRS. *as prepared below?*

.... 2. I now attach the result, in the form of a paper by the Treasury. Other departments are not committed to it, though it has been prepared in consultation with them and they have contributed to the annexes on the industries which they sponsor.

3. In my view the paper is a valuable and useful assessment, and I agree both with the suggestion that there should be approaches by sponsor Ministers to the chairmen, and with the proposals on the ground to be covered in those approaches and the broad line to be taken.

4. I understand that there will not now be opportunity for a collective discussion of the paper this side of the summer holidays. But I would hope that the proposals in the paper would not give colleagues any serious difficulty. If they agree, I think that the best way forward might now be for colleagues to bring forward proposals, in the light of the paper, on how they would propose to approach the chairmen of the industries which they sponsor. It would be helpful to have this by the beginning of September, when you may wish to have

*TL
(no need for you to read the paper at this stage)*

*TL
4/8*

CONFIDENTIAL



some discussion of the handling of at least the more important industries. We shall need to move rather more quickly than this on coal, but we are considering that separately anyway. There may also be industries not referred to in the paper which sponsor Ministers will wish to cover.

5. I am copying this minute to members of E(NF), to the Home Secretary in view of the potential CCU aspect in all this, to Sir Robert Armstrong, and to Mr. Ibbs (CPRS).

(G.H.)

4 August 1981

NATIONALISED INDUSTRIESPay in the Coming Year

A marked reduction in the level of pay settlements is needed in the next pay round, both in the Nationalised Industries and in the economy as a whole. The growth of money GDP will continue to be constrained by the monetary targets: without this constraint, inflation will not be contained. But unless increases in earnings can be reduced from the level of the pay round which is now concluding, cost and price increases will absorb all the scope for real growth within the monetary constraint.

2. Lower settlements are also necessary to restore international competitiveness, which has deteriorated by 50 per cent in manufacturing over the last three years. And this is not just a short term phenomenon. Over the past two decades money incomes have grown much faster than in other industrial countries while the growth of output has slowed down. During the past decade real output grew by only 16 per cent, but money incomes increased by 335 per cent. And because wage costs have risen so steeply the decline in competitiveness has been serious.
3. The general need for low settlements applies also to the Nationalised Industries, and not only because their settlements are often prominent in influencing expectations elsewhere. Low pay settlements will help to secure the future of the industries themselves, by improving competitiveness and leaving funds available for new investment. This consideration may appear less pressing in the case of the monopoly industries, where cost increases can be passed on to customers. But this can only be to the detriment of those customers (particularly where they are private sector businesses) and therefore to the sales prospects of the industries themselves.
4. The issues arising on the next pay round were discussed by Ministers in E Committee (E(81)23rd meeting) on the basis of a memorandum by the Chancellor of the Exchequer (E(81)66). They have also been discussed between Ministers and the Nationalised

Industries Chairmen's Group (NICG) at a meeting on 9 July. The general reaction from the Chairmen was to accept the case for lower settlements, but to doubt whether they could in practice be achieved; and they did not want the Government to intervene in their negotiations. They felt that a small reduction from the level of settlements in the previous pay round might be achieved, with settlements a little below the year-on-year rate of increase in the RPI. This implies that the Chairmen are expecting settlements certainly in upper single figures and perhaps into double figures; and this impression is borne out by their planning figures in the Investment and Financing Review. Such an outcome would be a long way from the sort of settlements needed to provide any real scope for economic recovery and increased output and employment.

5. Ministers will wish to consider whether this situation is acceptable. It is a situation in which the Nationalised Industries would themselves be settling, and therefore leading others to settle (particularly elsewhere in the public sector), at percentages perhaps twice as high as is required by the needs of the economic situation. The problem is compounded by the fact that some of the nationalised industry settlements fall early in the pay round. This paper considers whether there is more that the Government might do to secure a better outcome on Nationalised Industry pay than the Chairmen seem to anticipate.

6. The salient facts on the individual industries, together with an assessment of the prospects and risks, are set out in annexes to this note. But there are also some general issues which Ministers will need to consider on an industry-by-industry basis.

7. The basic question is whether there is a need for Ministers to approach individual industries, no doubt through the Chairmen. The purpose of such approaches would not be to take over responsibility for negotiations or to intervene in them, but to give an indication of the kind of outcome looked for by the Government for each industry, and of the factors which the industries should take into account in their negotiations. In

some cases this might just mean encouraging a more rigorous approach; in others, Chairmen might need to be persuaded to take a different view of the pay situation in their industries. This implies, of course, that the approaches would need to be made in good time, which probably means no later than September for those industries with earlier settlements. Even for those with later settlements, approaches should not be left much later than this, bearing in mind that external financing limits will be set in mid-November.

8. Where Ministers decide that such approaches are appropriate, they will need to decide what points should be raised and in what sense. Some of the considerations relevant to specific industries are discussed from paragraph 10 below. But there are also a number of points which are likely to be relevant to a number of the industries such as:

- a. whether the Government is prepared to support a negotiating strategy which carries a high risk of industrial action;
- b. whether the Government sees any link between the outcome on pay and the level of investment in particular industries, and in particular with the case for major investment projects such as rail electrification and the Belvoir coalfield. The point could be made that the viability of an industry, and the likely return on major investment, depend heavily on the development of labour costs. This trade-off is to some extent already implicit in the EFL system (although there the time horizon is relatively short). In the context of the EFL's it would be necessary to decide (and make explicit to the Chairmen concerned) how far a lower level of investment would be acceptable if pay exceeded the intended level.

- c. Whether each individual industry has to be regarded as a monolithic block, to which a single level of pay increase has to apply. There might for example be scope for lower settlements for administrative staff, even if manual workers are well placed to get a higher settlement (or vice versa). If this were possible, it would help to limit the repercussions of any such higher settlements.
 - d. Whether some industries can afford any increase.
9. While the Government's primary channel of communication with industries will of course be through the Chairmen and Boards, the scope for directly influencing the expectations of the unions and the workforce generally also needs to be kept in mind. For example the point in paragraph 8(b) above about the relevance of labour costs to investment decisions might exercise some moderating influence if carefully handled.
10. As regards the individual industries a detailed survey of the prospects in each case is set out in the annex to this note. Some of the more important points which Ministers need to consider in approaching individual Chairmen are set out below.

Coal

11. An important settlement which will be taken as a benchmark for other major groups - water, gas and electricity workers. The early settlement date (1 November) means any approach to the Chairman would have to be made in late-August. Points are:-

- (a) Given the severe consequences of industrial action, is it reasonable, as the detailed analysis contained in the Annex suggests, to leave the Board with discretion to negotiate a settlement not significantly above the 7% or so which the management currently believe is the lowest practicable outcome - ie it assumes the most favourable possible outcome to negotiations?

- (b) If the negotiations pointed to a settlement significantly above this sort of level would the Government be prepared to support the Board in taking a hard line notwithstanding the risks of industrial action?

Water, Gas and Electricity

12. These industries will expect to follow the miners' settlement although this should not necessarily preclude marginally lower settlements here. Nevertheless water, which comes first and where both unions and management are looking for an early settlement, will be especially strongly influenced since the only other major public settlements will have been the police and, perhaps, fire. And the consequences of industrial action on the public in any of the three industries would be severe, depending on the willingness of the manual workers to use their full industrial power and the attitudes of the supervisory staff. Points are:

- (a) Is it reasonable to allow these Boards the same discretion as the Coal Board to negotiate a settlement not significantly above, say, 7%?
- (b) Should the miners secure a settlement significantly above this sort of level, is the Government prepared to support these Boards in taking a hard line to reach settlements below that of the miners notwithstanding the risks of industrial action.

13. In the case of all these four industries, there may be other points to be raised in any approach to the Chairman such as:-

- (a) what steps might the Government take in relation to investment to influence negotiations?
- (b) is productivity a major issue or are there other important management objectives to be gained in bargaining?

- (c) would there be advantage in structuring the settlement in a certain way - on bonus payments rather than basic rates for example?
- (d) how should the settlement be presented publicly?
There may be problems, for example in the case of the Coal Board, where the management will wish in public to exaggerate the true value of the settlement which, while helping to secure agreement in that case may exacerbate difficulties in other industries.

Other industries

14. It is reasonable to consider whether there are other industries where the consequences of industrial action may be less severe, which the Government might approach, in these cases to express a clear view on the outcome it expected to see from those particular negotiations. Examples might be:-

- (a) Posts: settlement achieved last year somewhat disappointing (8% from April plus 1.5% from November). Industry also has had a poor productivity record (although there are signs of better progress of late) and it is not noted for tough handling of negotiations. Should there be discussions with the Chairman which might focus on the need for improvement next year - perhaps only a very small increase unless financed by productivity?
- (b) British Telecoms: a similar background to Posts. Unit costs have been rising recently and relatively high settlements concluded. Management planning for real increases in pay next year. Bearing in mind the potentially damaging consequences of industrial action, should there nevertheless be an approach, similar to Posts?

- (c) British Shipbuilders: settled at 8.5% last year, compared eg with British Steel who achieved a settlement worth 3% over 12 months in similar circumstances. Should there be a discussion with the Chairman focussing on achieving figures nearer those of British Steel?
- (d) British Rail: negotiations still in progress in current year but an arbitration Tribunal recommendation of 10.5% will not make it easy to achieve a good settlement. While the outcome of this year's negotiations remains uncertain, major improvements in productivity are planned for the future, partly as a condition of investment in electrification. Should there be an approach to make clear that failure to meet productivity targets should lead to lower pay settlements (present assumption is -2% in real terms) as well as no investment in electrification?
- (e) National Bus Company: a contracting industry which achieved a 7½% settlement last year. While this settlement comes towards the end of the round and is therefore likely to be heavily influenced by other settlements, this is an industry which might be expected to fall at the lower end of the range of settlements. Should an approach be made to discuss the possibility?
- (f) British Waterways Board: yet to settle in current round but likely to follow pattern of past settlements at a level marginally below that of the Water Industry. The Board is almost entirely grant aided and is loss making. Should there be a discussion with the Chairman focussing on the need to ensure that levels of pay increases more closely reflect the financial position of the industry?

15. If Ministers agree that it would be right to undertake approaches of this nature and that this analysis of the overall picture raises the right sort of questions, sponsor Ministers might where necessary suggest a basis on which to approach the Chairmen of the industries for which they are responsible.

H M Treasury

28 July 1981

ANNEX

INDIVIDUAL INDUSTRY ASSESSMENTS

<u>Industry</u>	<u>Page</u>
National Coal Board	1
Electricity Supply Industry	9
Gas	12
Water	16
Posts and National Girobank	23
British Telecom	26
British Shipbuilders	29
British Rail	31
Bus Industry and London Transport	35

NATIONAL COAL BOARD - WAGE NEGOTIATIONS

SECTION 1 - BACKGROUND

1.1 NUMBERS AND TYPES OF STAFF AND UNIONS INVOLVED:

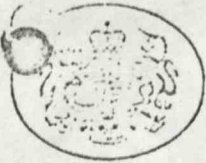
	<u>Type of Staff</u>	<u>Union</u>	<u>Numbers</u>
1	Operative industrial workers at collieries and related plants and depots (miners)	National Union of Mineworkers (NUM)	230,000
2	Supervisory grades at surface installations (weekly paid industrial staff - WPIS)	NUM	7,000
3	Clerical staff	NUM (Colliery officials and staffs area) are in lead, though some staff in APEX	14,000
4	Supervisory grades underground (officials and deputies)	National Association of Colliery Overmen Deputies and Shotfirers (NACODS)	20,000
5	Managerial and professional/technical staff	British Association of Colliery Management (BACM)	17,000

1.2 SETTLEMENT DATE

1 November 1981, all agreements (negotiations on items 2-5 follow in the light of the settlement on 1 and are usually concluded very quickly). The settlement date is only 10 months after the last settlement (January 1981).

1.3 NEGOTIATING MACHINERY

For the main NUM claim this is through the Joint National Negotiating Committee which consists of the Board Members + up to 14, Union representatives. There is a provision for non-binding arbitration by a National Tribunal if both sides consent; but this provision has not been used for a long time.



1.4 PRESENT AVERAGE EARNINGS

Pay Survey data are now available:

Faceworkers	£157.82 pw (of which £30.27 is incentive bonus)
All mineworkers	£143.33 pw (of which £26.03 is bonus)
Lowest paid surface workers	about £110 (of which about £15 is bonus)

1.5 TOTAL WAGE BILL

For a whole year at the present rates, this is made up as follows:

£ million

Basic rate payments to NUM members at collieries	1,130
Incentive bonus and other allowances paid to NUM members at collieries	290
Wage related charges for NUM members at collieries	<u>300</u>
Total payments to or in respect of NUM members at collieries	1,720
Payments to or in respect of other staff	<u>670</u>
Total wage and related cost bill	<u>2,390</u>

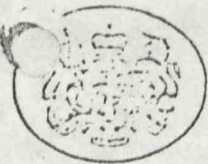
1.6 RELEVANCE OF EFL CONSTRAINT

NCB have been told that Ministers' judgment, that an EFL of £1,117 million should suffice, was based on an assumed pay increase of 7%. Even with such an increase the EFL is very tight. NCB have every incentive to keep the settlement as low as possible.

1.7 PAST PATTERN OF SETTLEMENTS

During the 1970s the miners have improved their pay position relative to other industrial workers; average earnings (including benefits in kind) have gone from about 100% of average industrial earnings to about 130%. This relativity is comparable with that which applied when coal was the dominant energy source and in short supply in the early 1950s.

The last two settlements for miners were:



January to March 1980: phased increase of 20% in basic rates, plus increases, extensions of some fixed allowances. Effect on overall earnings - just over 20%.

January 1981: 9.8% increase in basic rates, 13.2% increase in incentive bonuses, no increase in other allowances. Effect on overall earnings - just under 10% (but 13% figure widely publicized).

For other groups the settlements were differently constructed but were designed to have the same effect on overall earnings.

1.8 REPERCUSSIONS OF SETTLEMENTS

The miners' pay settlement achieves considerable publicity and unions in other energy industries profess to aim at something at least as good. But there is widespread public acceptance of the fact that miners are 'special' and not necessarily a precedent, and in practice other unions recognise this (eg the February 1981 electricity settlement though advertised as being as good as the miners' 13% was in fact only 11.5%). However, precisely because the miners are widely regarded as a special case, the wage settlement in the industry is likely to set an upper limit on other public sector settlements.

SECTION 2 - BARGAINING STRATEGY

2.1 APPRAISAL OF MANAGEMENT (to be revised after NUM Conference)

The NUM Conference (6-9 July) has endorsed a resolution calling for the minimum surface basic wage to be increased from £80.85 to £100 per week, other increases pro rata, ie about 24%. By NUM standards this is a modest claim - last year's claim of 35% was also based on £100 per week for lowest paid surface workers, then on £73.65.

Tactics as to how to lodge the claim will be decided by the NUM National Executive Committee after the Conference. ^{Almost certainly} ~~Probably~~ it will not be lodged until mid September when serious negotiations will begin with a view to reaching agreement before 1 November.

The NCB will certainly respond by stressing the parlous state of the industry and the very limited amount of money available. They will try to conduct all discussions in terms of cash offers, not percentages.



The NCB's tentative appraisal is that provided they are not evidently negotiating under pressure from the Government (other than the limitations on finance which are already known), and provided the negotiations take place in a conducive atmosphere, they may be able to settle at around 7%. But if the atmosphere is less conducive they think that at least 10% may be necessary. Items which must might make the atmosphere less conducive include

- a) Signs of overt Government pressure on NCB management;
- b) Measures that would have the effect of increasing the cost of living (the NCB feel that last year's acceptance of their offer in ballot was made markedly more marginal by the announcement of council house rent increases just before the ballot);
- c) Outright rejection of Belvoir or other signs that the Government is less than fully committed to the future of the industry.

NCB emphasize that the extent of their freedom to negotiate must be made clear to them in advance. They also feel very strongly that it may be vital to be able to present a settlement in a way which makes it look larger than it really is (the fact that the settlement date is only 10 months after the last settlement may offer some scope for this).

2.2 NON-PAY FACTORS RELEVANT TO NEGOTIATIONS

The existing incentive arrangements give an increase relating to productivity. Productivity is currently running 3-4% above last year's levels and this will increase the average level of wages by a little under 1% on average (a higher percentage for faceworkers, lower on the surface).

The NUM ^{may} ~~are~~ also ~~likely to be~~ pressing for an extension of the Voluntary Early Retirement Scheme which presently allows men with certain durations of underground service to retire at age 60 on two-thirds of previous pay to age 65 (followed by pension as earned). A year's reduction in this age is equivalent to about 1.5% on wages. The reduction in the retiring age is likely to be regarded as a less immediate issue than pay in the short-term,



but on previous occasions (notably in 1977) the NUM have accepted awards with a low direct pay element and substantial non-payment concessions (then, they accepted 5% but the VERS was introduced which was probably worth another 8%).

2.3 SCOPE FOR DISCRIMINATION

Effectively none. The settlements for other groups in the industry have always been very closely geared to the main NUM settlement in terms of total effect (save when explicit Government income policies have prevented this).

SECTION 3 - HOW MIGHT GOVERNMENT SEEK TO INFLUENCE EVENTS?

3.1 MANAGEMENT ATTITUDE TO GOVERNMENT INVOLVEMENT

As pointed out above, NCB say they must know the bounds within which they can negotiate. They are also clear that overt Government involvement will make it more difficult to achieve a low settlement.

3.2 STATE OF COMMUNICATIONS BETWEEN INDUSTRY AND DEPARTMENT

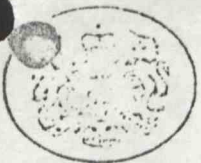
Good. The NCB are anxious to keep us in close touch with the position.

3.3 SCOPE FOR INFLUENCING PUBLIC OPINION

It will be important to get the message across (on a non-attributable basis that is not part of an overt campaign) that miners are relatively well paid and by comparison with many industrial workers enjoy high job security. The fact that the settlement date is less than a year after the last settlement may also help. Action to this end is in hand. But public 'sympathy' for the miners probably remains quite high (opinion polls taken in February showed support ranging from 55% to 85% for various aspects of the increased support for the coal industry).

3.4 RECOMMENDATION ON GOVERNMENT INVOLVEMENT

The NCB contend that overt Government involvement would be counter-productive, and their relative success last year (compared to earlier

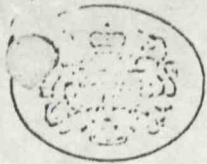


predictions that a 16-20% settlement would be necessary) would confirm this view. Subject to a further review of the position by mid-September, NCB should now be told that they have freedom to negotiate within the constraints imposed by their EFL but that we expect to keep in very close contact with their thinking and in particular if in their view it appears impossible to reach a settlement without going significantly above the implied level in the EFL, ie 7%, they must consult us. In considering presentation, they should bear in mind repercussive effects (they were careful to brief other industries on this last year), but otherwise should be at liberty to make what arrangements they think fit.

SECTION 4 - ACCEPTABILITY OF STRIKE RISK

4.1 DEPARTMENT'S ASSESSMENT OF PROSPECTIVE NEGOTIATING STANCE AND
LIKELIHOOD OF STRIKE

"The NCB's prospective tactics have been described above. The NUM's response is uncertain. The resolution passed by the NUM Conference requires a national delegate conference to be called to discuss the terms of a recommendation to be put to the membership in a ballot if the £100 per week claim is not achieved in negotiations. This would reduce the influence of the National Executive Committee of the union, which tends to take a moderate line in its recommendations. It is to be noted, however, that last year a similar motion was passed, yet Mr Gormley managed to get away with not calling the conference before going to ballot with a recommendation to accept the offer. There is some chance that he would be able to do this again this year, though this depends more on his personal position



than anything else. He has now announced his intention of retiring in March, and an election for his successor (which Mr Scargill will almost certainly win) can thus be expected in December. Mr Gormley can thus be expected to be as fully 'in charge' during the negotiations as previously. And Mr Scargill's attitude may well be coloured by the fact that a success against NCB (and Government) would almost certainly be recorded as more to Mr Gormley's credit than his, whilst a long-drawn-out dispute could cause Mr Gormley's retirement, and his succession, to be delayed. On the other hand, Mr Scargill will have to maintain his tough image during an election campaign - though he would have less need to do this if his succession were unopposed which is not impossible (a 'deal' may virtually guarantee Mr Bell, his only credible opponent and a moderate, the Secretaryship of the Union following Mr Daly's retirement, expected in about 2 years).

"At the conference there were some suggestions, particularly by Mr Scargill, that the wage claim should be used to overturn Government policies generally. However, provided there is no clear and overt evidence of Government involvement and the pay negotiations remain effectively with NCB, the majority of the membership (even of those who will support a 'militant' line on the claim itself*) will not support such a line and Mr Scargill would be unlikely to press it.

"The view of the moderate elements of the NUM National Executive Committee is that a settlement 'keeping pace with inflation' has a good chance of acceptance at the end of the day. Bearing in mind that the last settlement was only 10 months before that now being considered, there could be some scope - given no dramatic acceleration of inflation between now and the autumn - for presenting a settlement whose overall effect on the pay bill was around 7% as being in pace with inflation. In such circumstances a settlement has a reasonable chance of being accepted on ballot, though the range of uncertainty is wide: but as emphasized above to achieve this success NCB must have discretion about the presentation of a settlement, and extraneous factors (eg (a) - (c)

in Section 2.1) must be prevented from influencing the negotiations.

"If the NCB's offer is rejected by ballot it is possible that industrial action will begin with a work to rule (as in 1971 and 1973). But it is perhaps more likely that the union would move immediately to an all-out strike. A work to rule would probably reduce coal production by 30-40% (up to 1 million tonnes per week) and could be sustained for a long period, though many miners would lose productivity bonuses, which account for a substantial part of total pay. It would tend to escalate to a strike (as in 1972 and 1974) unless an offer is then made considerably in excess of what might have been accepted in the first place."

4.2 SCOPE FOR REDUCING RISKS

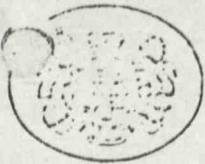
There is very little scope for reducing the strike risk by weighing an offer heavily in favour of, say, faceworkers, partly because the NUM represents virtually all manual workers in the industry. The risk of a strike will be reduced if the Board is given a free hand to settle up to at least 7%, and if confrontation with the miners is avoided on other issues (eg pit closures, Belvoir).

4.3 LIKELY CONSEQUENCES OF A STRIKE

Severe, because of the high dependence of electricity generation on coal. A preceeding work-to-rule would hasten the impact of a strike by reducing coal stocks.

4.4 POSSIBLE ACTION TO MITIGATE EFFECTS OF A STRIKE

There are physical limits to coal stocking capacity at power stations, and the miners will try to prevent the delivery of pit-head stocks to power stations during a strike. There are measures which could be taken to extend power station endurance by maximising fuel and other stocks and if necessary by restricting electricity demand.



4.5 RECOMMENDATION TO HIGH RISK OR LOW RISK STRATEGY

There is reason to believe that a strike is unlikely to reduce the level at which a settlement is finally reached, and may even increase it. Pressing the NCB to stick on an offer of less than 7% carries a significant risk of a strike. Even a 7% final offer is by no means risk free.

Coal Division 2
Department of Energy

9 July 1981



NATIONALISED INDUSTRIES : PAY
ELECTRICITY SUPPLY INDUSTRY
DRAFT PROFORMA FOR INDUSTRY ASSESSMENT

Section 1 - Background

Numbers and types of staff

172,500

- of which
- (a) 94,000 manual
 - (b) 29,300 engineers
 - (c) 47,400 administrative and clerical
 - (d) 1,900 managerial and professional

Unions involved

- (a) EETPU, AUEW, GMWU, TGWU
- (b) EPEA
- (c) NALGO, APEX, GMWU
- (d) AMEE, EMA, NALGO

Settlement dates


- (a) 20 March
- (b) 1 February
- (c) 1 May
- (d) 1 April

Negotiating machinery

The Electricity Council is required by statute to negotiate on behalf of the industry as a whole, ie the Boards in England and Wales as well as the Boards in Scotland. Arbitration is available where both sides consider the circumstances appropriate. If either side object the Department of Employment are brought in automatically to conciliate.

Total wage bill

About £1,400 millions, in 1981/2



Relevance of EFL constraint to wage bill

The proportion of wages in total cost is relatively low (17%) the limiting effect of the EFL is therefore less than it would be in a labour intensive industry.

Past patterns of settlements

Overall the wage settlements in the last 3 years have been 10½% 1981/2, 23¼% in 1980/81 and 19½% in 1979/80.

Repercussions of settlements

The ESI has come at the end of a wage round rather than the beginning. The first anniversary date is 1 February and by tradition the negotiations continue for some time afterwards. Comparisons are normally made by the ESI staffs against the miners, the gas and the water industries. The electricity industry has given rise to repercussions in the water industry in recent months.

Section 2 - Bargaining Strategy

Appraisal of management

The industrial relations negotiators on behalf of the industry in England, Wales and Scotland are competent and skilled.

Non-pay factors relevant to negotiations

Length of working week - holidays

Scope for discriminating in settlements between regions, sectors or groups

There is little scope for regional or sectoral discrimination, the negotiations are conducted on a national basis by agreement with the unions.

Section 3 - How might Government seek to influence events

Management attitude to government involvement


Management would prefer minimal government involvement.

State of communication between industry and Department

Good

Scope for influencing public opinion

The proportion of wages in the total cost of electricity is low (see earlier responses): wages account for about 17% of total costs. Public opinion is problematical - but as a 10% increase in wages has only a small effect on prices (1-1½ %) consumers may well prefer a small increase in prices to industrial action causing dislocation and discomfort.



Recommendation on Government involvement

Because of monopoly position of the ESI, government cannot avoid involvement if pay demands might lead to settlements higher than the national average.

Section 4 - Acceptability of Strike Risk

Department's assessment of prospective negotiating stance and likelihood of strike

So far the electricity supply unions have shown a sense of responsibility; they have always aimed to keep their people in line with inflation but they have also looked towards the restoration of differentials with other industries; for example where the engineers are concerned, with engineers in other occupations.

Scope for Reducing risks

There is very little scope for reducing risk if any one sector of the ESI staff decides to take industrial action, the scope for replacement is extremely limited, and electricity demand restrictions are likely to follow very quickly.

Likely consequences of a strike

Very damaging for suppliers and customers and the economy at large. Less damaging for the industry itself.

Possible action to mitigate effects of a strike

Extremely limited. If some electricity is produced, and it is possible to maintain the grid at that level of output, electricity restrictions can be brought in to ration supply between consumers and between regions. Some electricity is produced in industry and there is some stand-by capacity. However, the relief that can be expected from these sources is limited by their capacity to replenish fuel stocks.

Recommendation on whether Ministers should endorse a high-risk or low-risk strategy

Low risk.

GAS DIVISION RESPONSE TO PROFORMA FOR INDUSTRY ASSESSMENT

Section 1 - BACKGROUND

A. Numbers and types of staff:

Manuals (including craftsmen)	42,420
Staff and Senior Officers	58,551
Higher Management	3,453

B. Unions involved

- i The majority of Manuals are in the GMWU although in some Regions there is a tradition of TGWU membership. For historic reasons 1500 manuals belong to the Confederation of Shipbuilding and Engineering Union (CSEU).
- ii Gas Staff and Senior Officers are mainly in NALGO but also the Managerial Administrative and Technical Staff Association and a branch of the GMWU. Higher Management are in NALGO.

C. Settlement Dates

For Manuals	mid-January
For Staff	1 June
For Higher Management	1 June *

* (until 1981, 1 July).

D. Negotiating Machinery (Extract from paper prepared by BGC on Employee Participation: Sent 1979)

- i The gas industry has a long tradition in joint relations for the purpose of employee consultation/participation. When the Nationalisation Act in 1948 required Employers to set up collective bargaining machinery, it did so against the background of the National Joint Industry Council for manual workers which had existed since 1919.

All but 200 of the Industry's 100,000 employees are now covered by comprehensive joint machinery. This includes not only National Joint Councils and Regional Joint Councils which allow for discussion of any matter of mutual interest, but also a number of more recent creations. These include the Gas Advisory Council (since 1965) Local Joint Committees (since 1976) and the Planning Liaison Committee (since 1977). The Gas Advisory Council provides a forum at which senior management can discuss the Industry's plans with the general secretaries and national officers of the principal gas unions. The Planning Liaison Committee meets more regularly; it stemmed from the Trade Unions desire for greater participation in the Industry's forward planning. The Local Joint Committees supplement the National and Regional Joint Councils by enabling local discussion of the implementation of national agreements on pay and conditions in addition to other matters of local interest.

now 106,000

ii Availability of Arbitration

No information available

E Total Wage Bill 1980/81 - £923 million

(Source Annual Report and Accounts)

F EFL

BCC are expected to make wage settlements with due regard to the financial discipline imposed by the EFL. The EFL for 1980/81 allowed for a pay settlement averaging 10%. BCC will be expected to find additional savings elsewhere to meet their target.

G Past Pattern of Settlements (% increase on wage bill)

		1979	1980	1981
Gas Manuals (Jan-Dec)	9.44%	(+staged 5% from July)	18½-19½%	11.7%
CSSO (June-May)	14-15%	(+staged 3% from Jan 1980)	19-20%	9.8%
Higher Management / (July-June)	15-16%	(+staged 3% From Jan 1981)	21.7%	10.25%

+ 1981 settlement date 1 June.

H Repercussions of Settlement

Traditionally gas industry manuals' settlements have had repercussions for electricity manuals' settlement. These two groups and water industry closely watch each others negotiations.

Section 2 - BARCAINING STRATEGY

A Appraisal of Management

We keep closely in touch with BCC while they are conducting their negotiations. Our judgement is that they are well in control and achieve acceptable results given the constraints resulting from their position at the back of the pay round.

B Non-pay factors relevant to negotiation

In addition to basic pay, bonus payments and a General Obligations Payment (GOP) in respect of flexible working procedures may be paid to manuals. Hours of work, annual leave and shift allowances may also be factors.

C Scope for discrimination between Regions, Sections and Groups

Existing "Discrimination"

- i Different treatment for adult and non-adult grades (ie those under 18).
- ii "Compensation" in settling basic payment for white collar grades for payments of bonuses and GOP to manuals.
- iii Outer and Inner London Allowances
- iv Different treatment according to length of service (eg holiday allowances)

Scope for "discrimination"

- v. Certain jobs might be identified as having particular risks for which allowances should be made (eg carrying out disconnections in cases of non-payment).

Section 3 -- HOW MIGHT GOVERNMENT SEEK TO INFLUENCE EVENTS?

A Management Attitude to Government Involvement

BGC accept financial objectives agreed with Government. Difficult to see that they would willingly accept unacknowledged Government involvement which would tie hands in negotiations but which did not overtly lay responsibility at Government's door.

B State of Communication between Industry and Department

Regular contact on all issues in which Government have an interest.

C Scope for influencing public opinion

Public opinion is, on the whole, anti pathetic towards nationalised industries based on perception of unreasonably high charges, inefficiency, abuse of monopoly power etc). In last pay round "high" pay settlements in gas industry have to a certain extent been linked in the public mind to increases in gas prices and their resentment of level of pay settlements has been expressed both by private sector companies and individual gas consumers. Against this background Government could make more publicity of discipline imposed by financial objectives (target, EFL, performance aims) and of general desire to see low settlements in public sector. Government will alienate public opinion if it quotes target figures for settlements which are not met or if it capitulates on pay in face of a strike threat.

D Recommendation on Government Involvement

We see scope for Government to exert n.i's through NICG to keep within certain pay levels and to put constraints upon excessive awards through EFL adjustments. Must be acknowledged that influence will be level of settlements early in pay round (especially miners). Government achievement there will be deciding factor in later settlements.

Section 4 - Acceptability of Strike Risk

A Prospective negotiating stance and likelihood of strike

Too soon to say other than to note again that miners' settlement will set tone (whether acknowledged or not) for rest of pay round. State of industrial relations over implementation of the Government's decision on appliances will clearly have a bearing here.

B Scope for reducing risks

Risks not yet clear.

C Likely consequences of a strike

See comments under D below.

D Possible action to mitigate effect of strike

See GAS Section of Cabinet Office Emergency Book which covers all points except financial consequences which we are discussing with industry. Factors which will affect this are loss of revenue from gas; cost of shut-down of transmission system and cost of restoring operations.

E Recommendation on whether Ministers should be prepared to adopt a high risk or low risk strategy

A gas strike (whether total or partial) could seriously disrupt industry and inconvenience domestic consumers. We should not recommend adding to high risk strategy already adopted in relation to disposal of gas-showrooms. (Gas Unions are threatening all-out strike for Autumn/Winter).

Gas Division
23 July 1981

CONFIDENTIAL

WATER INDUSTRY PAY ASSESSMENT

Background

1. Staff Numbers. 72,000 comprising manuals (31,000), craftsmen (5,500), staff (35,000), senior staff (500), and chief officers (50).
2. Unions involved. GMWU, NUPE, TGWU, NUAAW, NALGO, GLCSA and TWSA, CSEU.
3. Settlement dates. Manuals - 7 December; non-manuals - 1 July.
4. Negotiating Machinery.
 - a. The water Act 1973 requires the NWC to ensure that suitable pay agreements are established with provision for arbitration. The existing organisation comprises an NJIC for manuals and craftsmen; a NJC for staff; and separate JNCs for senior staff and chief officers.
 - b. The employers sides are led by the Chairman of the NWC with selected representatives of the RWAs/water companies (chairmen or chief executives) and include a co-opted non voting member from DOE/NI.
 - c. All the joint agreements include a provision effectively allowing unilateral access to arbitration with awards binding on both sides.
 - d. The agreements also provide for the establishment of Regional Councils to implement national agreements, deal with disputes etc.
 - e. The NJIC agreements incorporate a Water Industry Productivity Scheme (WIPPS) incorporating provision for the monitoring of new schemes against an agreed code and the revision of existing schemes. The allocation of posts to national grades for staff is at local discretion; agreement has not been reached on the introduction locally or nationally of guidelines for job evaluation.
 - f. The constitutions of most of the major unions involved require that settlements and industrial action shall be endorsed by the membership but not necessarily by ballot.
5. Total wagebill. £380m (represent 25% of gross current expenditure).
6. Relevance of EFL. Although the EFL makes assumptions about pay which might be expected to influence the attitudes of the

employers, it imposes no direct constraints on the wagebill as such. Once performance aims are introduced they should have a dampening effect on the employers freedom of action; but they assume that wages will move in accordance with GDP and this does not necessarily correspond directly with pay objectives.

7. Past Pattern of Settlements

- a. Details are at Annex A.
- b. The position of the water manuals earnings relative to those of gas and electricity, which declined during the period of incomes policy, was restored in the 1979 settlement and maintained last time; collectively those groups have tended to improve their position relative to the national average. The water non-manuals settlements have generally been of the same order as the manuals. Despite some commitments and concessions ostensibly designed to improve efficiency in recent settlements, these have not in practice contributed significantly so far to improvements in performance or productivity in the industry.
- c. The membership of the manuals unions have in each of the last 2 negotiations rejected the recommendations of their negotiators for a settlement, and have authorised official industrial action which has been averted by concessions by the employers.

8. Repercussions

- a. Although the water manuals are due to settle before the other public utilities, protracted negotiations usually mean that there is considerable inter-action. There is close liaison between the chairmen concerned, and the pattern of settlements in recent years suggests a collective approach to the broad issues. All these settlements will be influenced by the coalminers.
- b. Although an early high water settlement might prove an embarrassment to the local authority manuals negotiations, it is unlikely to affect their outcome significantly. The Scottish local authority water service workers have for the last 2 years been direct followers of the E&W water settlement.
- c. Internally, the manuals settlement repercusses directly on the non-manuals level of settlement.

Bargaining strategy

9. Appraisal of Management. The employers organisation in the national negotiating machinery enables the views of the individual water authorities/companies to be reflected at chairman or senior official level: the pressures by the Department on each to improve performance should lead to a more robust collective approach to pay bargaining. But

advised by NWC and led by its chairman, the collective approach hitherto has tended to obscure managerial objectives in the interests of a satisfactory accommodation with the unions with the minimum of problems. This has led to considerable unevenness in their attitudes and performance, which they themselves attribute partially to their efforts to respond to views expressed in the course of negotiations by Ministers. They are not particularly astute negotiators (eg repeated 'final' offers); they are inclined to give undue emphasis to the 'legitimacy' of their employees' claims possibly because some of the authorities erroneously assess the workers' loyalties and attitudes on the basis of historical rather than current perceptions. It is unclear whether the stand the employers appeared to be ready to take toward the end of the last manuals negotiations when faced with the near certainty of official industrial action was genuine and a hopeful indicator for the future, or, more probably, a ploy to pass the buck to Government.

10. Non-pay factors. The opportunities at the national level for any trades off against pay for the key manuals group are not obvious as there is already a comprehensive productivity payments scheme. But since the employers will be under pressure to use the pay negotiations as a means of improving performance, it is not unreasonable to expect that they may be able to negotiate to improve the implementation and effectiveness of the scheme. The scope for improvements in the non-manuals field (eg job evaluation) is perhaps greater but agreement on these issues will be difficult. There is no apparent scope for using investment as a sanction on high settlements or an encouragement for low ones.
11. Scope for Discrimination. Decentralisation of pay bargaining would first require amendment in the provisions of the Water Act 1973 and, whatever decisions may be taken in regard to the structure of the water industry, this is not a feasible option for the next pay round. But in any case the regional employers would probably continue to opt for a national framework for pay bargaining though they would make it more responsive and conducive to their own managerial objectives. Erosion of the differentials between the blue and white collar workers would lead to the alienation of supervisory grades whose co-operation is needed (though by no means certain) for the effective operation of contingency plans.

How might Government seek to influence events

12. Management attitudes. The management are likely to be more responsive to pressures by Government in the context of constraints on charges and of performance aims than they have been in the past to direct pressures on pay levels. However, they will probably be equally if not more influenced by the collective response of the NI Group, and of the public utilities in particular, to the Government's objectives and pressures, to union claims and intentions, and specifically to events in the miners negotiations. It remains to be seen whether, having reached what they regard in these circumstances as an optimum offer, they would, against the threat of industrial action, stand firm and possibly go to arbitration

(as they intended last time), or put the onus of the decision on to Government (as they succeeded in doing so to some extent last time).

13. State of Communications. DOE Ministers have consulted closely with the NWC Chairman and on occasions with the RWA chairmen/negotiators throughout recent manuals negotiations, and the NWC keep the Department fully informed of developments. In the wider field Ministers have been exerting greater personal pressure on RWA chairmen to improve performance, and this should be relevant in future pay negotiations.
14. Influencing Public Opinion. Government as a matter of policy adopted a low key approach to the last manuals negotiations. It is by no means certain that a more active approach would have much effect on media attitudes (likely to be already hostile to the water unions and workers) or could arouse public opinion sufficiently during negotiations to have any significant effect on the unions or the employees (even where they live in the community). Public reaction is likely to be most pronounced from the point when strike action is imminent; unfortunately it is then at its most volatile and may well, in the inevitable absence of assurances about the serious consequences of the action, swing in favour of a settlement at almost any price.
15. Recommendation on Government Involvement. Based on experience over the last 2 rounds, there is probably little more that can be done to directly influence the course and outcome of the manuals negotiations than the active and robust approach adopted by DOE Ministers. Indeed arguably they should be less involved at the fine-tuning stage as this can become counter-productive. The employers will be encouraged to adopt a more performance orientated pay strategy, and the potential advantages of a more active publicity campaign by the employers and by Government merits further consideration in the light of developing circumstances.

Acceptability of Strike Risk

16. There is every prospect that the pattern of the last 2 years will be repeated in the manuals negotiations even though hopefully the employers will adopt a more robust and performance orientated approach at the successive stages of the negotiations. They are likely to give way under pressure up to a level which they would regard as consistent with the collective attitude of the public utilities but possibly below the level of the miners settlement. The official union response will depend upon the strength of their desire to avoid a major confrontation this year (they have already indicated informally they will be seeking an early settlement) but more especially on how they assess the prospect of carrying their members. In the latter respect there is no reason to suppose that, encouraged by the last settlement, the members will be any more conciliatory.
17. Faced with the rejection of a final offer, the employers might decide to go unilaterally to arbitration under the joint

agreement, and while this should defer official industrial action it would probably give rise to extensive unofficial action. Should the employers stand firm on the offer, the unions would have difficulty in avoiding taking industrial action the severity of which would depend to some extent upon their assessment of the volatility of public opinion and how it could best be influenced to bring pressure on the employers and Government. In these circumstances there is a real possibility of official strike action which might be geographically selective but would nonetheless look for quick success by attacking the most vulnerable areas.

18. There is no scope for reducing the risks of industrial action before the next round. The provision in the closed shop agreements (Annex B) has little practical effect though it could be exploited for publicity reasons. No-strike agreements could only be secured now at disproportionate cost if at all.
19. The effects of industrial action by the manuals and plans to mitigate them are fully discussed in CCU(81)9 (Revise). The financial consequences for the industry are uncertain but would probably balance out. There is no relevant experience of the potential economic consequences but a full strike could have disastrous effects on industry, particularly electricity supply and chemical output, and a partial strike could have unacceptable effects on the local economies affected. The immediacy of the effects would vary from a few days in more vulnerable areas to much longer in other, notably rural, areas. Except in geographical terms the action could not be selective and the effects on the disadvantaged might well sway public opinion quickly in favour of a settlement. Contingency plans are dependent to a large extent on the co-operation of supervisory staff and management, but there are serious doubts whether the former would do more than their normal work or would co-operate with troops.
20. Recommendation. It would be folly to adopt a high risk strategy for water alone and it would almost certainly fail. There would be a greater but by no means certain chance of success if an adequately prepared, explicit and sustained high risk strategy were seen to be pursued collectively by the public utilities and the NCB and to be backed by Government. A low risk strategy would not preclude the employers using tougher bargaining tactics to secure improvements in performance and pay together than have been characteristic of water pay negotiations over the last 2 years. At worst, it would be unlikely to lead to a settlement in excess of the miners.

potentially
disastrous results
in the community,
including industry,
while a partial

measured
given by phone

4

WATER INDUSTRY SETTLEMENTS

1. In 1974 (on re-organisation) generally in line with other public and private sector settlements.
2. In 1975/76/77 in accordance with pay policy.
3. In 1978/79 (with Government agreement):
 - a. Manuals. 16% including new broadbanded grading structure and £5 efficiency supplement: also a forward commitment to examine comparability with gas and electricity (some doubt about degree of consultation on this issue).
 - b. Non-manuals. 17% plus a pledge to bring about improvements in the efficiency of the industry.
4. In 1979/80:
 - a. Manuals. 8% arising from the comparability study which discharged the commitment on this issue, plus a 13% general increase: also a forward commitment to introduce a 39 hour working week (constituting a 1 hour reduction) from December 1980.
 - b. Non-manuals. Increases ranging from 18½% to 20½% together with the introduction of revised salary structure which gave all grades an extra increment.
5. In 1980/81:
 - a. Manuals. 12.3% comprising 10.2% increase in basic rates plus consolidation of the £5 broadbanded efficiency supplement.
 - b. Non-manuals. 10.9% increase on scales.

6. RELATIVITIES BETWEEN EARNINGS OF MALE MANUAL WORKERS IN CERTAIN NATIONALISED INDUSTRIES AND ALL INDUSTRIES 1972-80

	<u>1972</u>	<u>1976</u>	<u>1980</u>
All industries and services	100	100	100
Coal mining			
- underground workers	105	123	139
- surface workers		108	113
Gas	109	111	117
Electricity	106	110	118
Water Supply	96	98	103

(Source: New Earnings Surveys 1972-1980)

PROVISION IN POST ENTRY UNION MEMBERSHIP AGREEMENT:

The Water Service is essential to the public and it is agreed by both sides that every effort shall be made to avoid any industrial action which would prejudice public health and public safety and to ensure that in the event of industrial action every effort should be made to avoid harm to the health of the consumers.

INDUSTRY ASSESSMENT - POSTS AND NATIONAL GIROBANK

SECTION 1 - BACKGROUND

<u>Numbers and Types of Staff</u>	<u>Unions Involved</u>	<u>Settlement Dates</u>
Postal Officers, Postal Assistants, Postmen, Cleaners and Doorkeepers (156,000)	UCW	1 April
Postal Supervisors, Postal Executives and Supervisory Catering Grades (14,800)	POMSA	1 July
Clerical Typing and Secretarial Grades, Investigation Assistants and Data Processing Grades (5,200) (Mainly Girobank)	CPSA	1 July
HCO, EO, HEO, Welfare, Nursing, Investigation, Programming and Information Grades (900)	SCPS	1 July
Catering Grades (1700)	UCW	1 July
Senior Salary Structure Grades (1400)	POSSNC	1 July
Sub Postmasters (not employees of the (20,500) Post Office)	NFSP	1 April

Negotiating Machinery

Pay negotiations on an individual basis; certain other issues on a collective basis.

Arbitration

The Post Office unions, with the exception of UCW have unilateral rights of access to arbitration.

Total Wage Bill

Posts and National Girobank (1980/81 latest estimate): £1,660m.

Relevance of EFL constraint to wage bill

Although pay awards can be financed by tariff increases, Ministers have made clear the Post Office is expected to keep tariff increases within the general level of inflation.

Past Pattern of Settlements

UCW	POMSA
1978 10% consolidated	10%

1979 16½% in 3 stages
plus 3½% for change in review
date from 1 January to 1 April

19% in two stages

1980 15% with provision for new
productivity scheme

18% (1 July) plus 7% (1 N
for phased productivity
and efficiency

1981 8% (1 April) + 1½% (1 November)

Not yet known

Repercussions of Settlements

Slight. No other following groups. Effect of postal tariffs on RPI minimal. Certain firms, eg publishers, hit by tariff increases; Users of counters mainly Government Departments affected by increased costs.

SECTION 2 - BARGAINING STRATEGY

Appraisal of Management

Not noted for tough handling of the unions but evidence of a tougher line in recent year.

Non-pay Factors

Scope for productivity deals.

Scope for Discrimination

Very little, negotiations undertaken nationally; very little scope to discriminate much between groups.

SECTION 3 - HOW MIGHT GOVERNMENT SEEK TO INFLUENCE EVENTS

Management attitude to Government involvement

Resists any detailed involvement in pay matters.

State of Communications between industry and Department

Generally good at all levels.

Scope for influencing public opinion

Primarily through the effect on postal tariffs.

Recommendation on Government involvement

Continue informal pressure for low settlements; set financial objectives which imply low settlements. (No formal powers.)

SECTION 4 - ACCEPTABILITY OF STRIKE RISK

Risk of Strike

Posts

1981 None

1982 uncertain, but probably unlikely.

Girobank

As above.

Scope of Special Settlements

No scope for special awards for key workers.

Effect of Strike

Posts

Could be tolerated, as in 1971, if telephone system keeps going.

Girobank

Effects limited; only 3% personal accounts.

Action to Mitigate Strike

Secretary of State can suspend the postal monopoly.

Risk Strategy

Can endorse high risk strategy, but could have consequences for postal finances.

Section 1 - Background

1. Numbers and types of staff.

Engineers & Technicians	Executive Engineers & Supervisors	White Collar		Telephonists & Telegraphists	Other smaller unions (white collar supervisors, catering sales etc)
		Executive	Clerical		
130,000	22,500	6,300	35,000	36,000	18,200

Total 248,000 approx.

2. Unions involved: POEU, SPOE, SCPS, CPSA, UCW, PCMSA, POS NC.

3. Settlement date: 1 July

4. Negotiating machinery: Pay negotiations on an individual basis; certain other issues on a collective basis. The Post Office unions with the exception of UCW have unilateral rights of access to arbitration.

5. Total wage bill: 1980 - £1314.8m

6. Relevance of EFL constraint to wage bill:) A high wage settlement would be likely to pose a choice between increased borrowing and higher price rises.

7. Past pattern of settlements:

	1978	1979	1980	1981
POEU	10%	21½% (paid in two stages)	18% plus 2% consol'n of Productivity bonus	9% pay
SPOE (Eng & Allied grades)	10%	21-26½%	Ditto	Ditto
SCPS, CPSA and UCW	10%	21¾ - 25¼ (15 month settlements paid in stages)	Ditto	Not yet known

8. Repercussions of settlements: Influenced by movements in comparable jobs in the private and public sector and by historical associations with the Civil Service.

Section 2 - Bargaining Strategy

9. Appraisal of management: Strengthened by the appointment of Sir George Jefferson as Chairman who is a tough negotiator.
10. Non-pay factors relevant to negotiations: BT management have well-developed productivity measures on the engineering side of the business. The Chairman has given an assurance that RPL increases this year will be used for investment only and not leak into higher pay settlement.
11. Scope for discriminating between regions etc.; A move to regional variations could lead to industrial action. Discrimination between sectors or groups would prove a major problem for BT who have only recently finally succeeded in obtaining union agreement to a comprehensive restructuring of all its grades to obviate the difficulties caused by the previous highly fragmented system.

Section 3 - How might Government seek to influence events.

12. Management attitude to Government involvement: Management is willing to listen to Ministers' advice but the indications are that deeper involvement would not be welcomed as it would encroach on management functions.
3. State of communications between industry and Department: Communication over BT's general wages strategy and offers made is adequate, though advance warning tends to be minimal.
4. Recommendations on Government involvement: Unless general pay policy changes Minister will wish to avoid overt interference in BT pay bargaining (which would carry heavy risks) while continuing to exert all possible pressure on management behind the scenes for low settlements against the background of stringent financial discipline and the advent of competitive pressures.

Section 4: Acceptability of Strike Risk

15 Consequences of Industrial Action in Telecoms. An all-out strike by the Post Office Engineering Union (POEU) would cause progressive degradation of service leading eventually to interruption. The position would probably become intolerable after about three weeks. Action by the Union of Communications Workers (UCW) would result in the cessation of all telephone operator services and could put telephone kiosks out of action. Action by CPSA/SCPS grades would result in severe internal administrative and cash flow problems for BT, affect the provision of services to new customers and fault repairs and could affect the London Airport Cargo Handling System, Giro and broadcast receiver licensing.

There is no precedent for assessing the likely consequences of a prolonged national strike by telecommunications workers but a rapid decline in services would create serious administrative problems and create severe difficulties for industry and commerce including export business.

16 Possible Action to Mitigate Effects of a Strike. BT's extensive plans against industrial action depend for their success on co-operation from management and supervisors (which may not be forthcoming). It is not practicable to use volunteers to carry out POEU work (though they might man ~~for~~ 999 services).

17 Negotiating Stance and Ministerial attitude. BT can be expected to adopt a tough negotiating stance, tempered by realism about what can be achieved. In the medium term, an alternative network (if one can be licensed) will lessen dependence on BT's services. In the short-term, industrial action by CPSA/SCPS or (more particularly) POEU/SPOE would be highly damaging.

British ShipbuildersSection 1 - Background

Numbers and types of staff

at March 1981

Craftsmen			Non Craft Manual	Staff	Apprentices and juniors	Total
Metal Using	Outfitting Engineering	Ancillary				
13,700	16,000	20,600	3,800	16,500	6,600	68,000

*About 800 employees are not classified by skill

Unions Involved - CSEU, SALMA

Settlement Dates - 1 April

Negotiating Machinery - National level between BS and the SNC (a shipbuilding sub-committee of the CSEU) and between BS and SALMA, which is not a member of the CSEU.

Total Wage Bill - About £450 m

Relevance of EFL
Constraint to wage
bill

- The industry is a loss maker. Any increase in wages increases the need for external finance.

Past pattern of
settlements -

Increase in Average Earnings

1979	8.9% (first national settlement)
1980	11.1% (over 15 months)
1981	8.6%

Repercussions of
settlements -

Minimal beyond the shipbuilding industry. However the negotiations in the private sector (employing some 8000) are influenced by the BS settlement as the same unions are involved.

Section 2 - Bargaining Strategy

Appraisal of Management - Good at national level; recently strengthened by new head of Personnel and Industrial Relations.

Non-Pay factors relevant to negotiations - Worldwide recession and overcapacity leading to large scale redundancies since nationalisation. Further redundancies in prospect. Restructuring negotiations soured last pay negotiation.

Scope for discriminating between regions - None. BS and unions recently succeeded in eliminating leapfrogging claims within the industry by introducing national level negotiations covering all skills.
Sectors or groups

Section 3 How Might Government seek to influence events

Management attitude to Government involvement - Chairman welcomed unpublicised support from Ministers in setting a low limit on the last settlement. Open involvement likely to be counter-productive.

State of communications between industry - Good.
and department

Scope for influencing public opinion - Very little interaction between the public and the industry. Public therefore unconcerned unless the settlement were exceptionally excessive.

Recommendations on Government involvement - Unless general pay policy changes, pay negotiations should be left to BS management and unions subject to pressure by Ministers on the Chairman for continuing low settlements.

Section 4 - Acceptability of Strike Risk

Prospective negotiating stance and likelihood of strike - too early to assess state of relations in April 1982.

Scope for reducing risks - Very small

Consequences of strike - Since BS does not have a monopoly the impact of any strike would fall mainly upon the industry its suppliers, and those owners with ships in dock. A long strike would delay and might prevent a return to stability. The costs would fall ultimately upon the Exchequer since BS are price takers in a highly competitive international market.

High risk/low risk strategy - The issue has not been considered by Ministers.

BRITISH RAILSECTION 1 - BACKGROUND

- a. Numbers and Types of Staff: Total 239,900 (including subsidiaries)

Freightliners: 2,400 (1,500: HGV drivers)	Rail business: 170,000
Sealink UK: 10,500	Conciliation grades: 124,000 (including drivers: 25,000)
British Transport Police: 1,900	Guards: 12,000
	Signalmen: 8,000
	Station/Yard staffs: 28,000
	Engineering/Workshops: 52,000)
	Non-manuals: 46,000
	(including Clericals: 22,000
	Supervisory: 10,000
	Management: 8,000
	Professional, Technical and Control } 5,000)

- b. Unions Involved: NUR, TSSA, ASLEF, CSEU, BTOG, MNAOA, NUS, BTPF

- c. Settlement Dates: The normal settlement date is 20 April.
The exceptions are:

Shipping: Officers 1 November
Ratings 1 January

British Transport Police } 1 September

Hotel: (Wages grades): 21 May

Freightliners: 1 January

- d. Negotiating Machinery, availability of arbitration etc.

<u>Staff Group</u>	<u>National Negotiating Arrangements</u>	<u>Arbitration</u>
Conciliation	Railway Staff National Council	Chairman of RSNT
Salaried	Railway Staff Joint Council	- do -
Workshop	Railway Shopmen's National Council	Central Arbitration Commission
Workshop Supervisory	Railway Workshop Supervisory Staff National Council	
Professional & Technical	Railway P & T staff National Council	Ch'mn of RSN
Management	Management Staff National Joint Council	- do -

~~CONFIDENTIAL~~

NOTE: The outcome of a unilateral reference to arbitration is not binding.

- e. Total Wage Bill: The wage bill for rail only is £1,360m, each 1% of pay increase in the financial year to 31.3.1982 costs £13m for rail and £16m for BRB as a whole.
- f. EFL: The EFL is a strong constraint on the Board's budget, because a large part of it is grant (over £700m in 1981), the grant represents about 30% of total turnover, and wages are about 60% of costs. But the discipline on the eventual settlement is less, because by the time of the settlement the revenue may already have diverged from budget by several percentage points up or down; and because the inevitable regime of permanent subsidy for the railway means that the EFL and grant disciplines depend in the end simply on resolves.
- g. Past Pattern of Settlements: Over the last 15 years the gross weekly earnings of adult male manuals of BR have moved within a few percentage points on either side of the national average. There have been some sharp upward movements, most recently in 1975, followed by a number of years of decline. The Board have usually aimed for settlements which keep them sufficiently competitive in the labour market to avoid high levels of turnover, without significantly improving the position of railwaymen in comparison with others, which avoid opening up major anomalies (particularly between the several unions) and which secure some progress in productivity. For several years now the wage settlements have been in line with the general run and if anything a bit below (there is no scope for "wage drift" on the railway). Railwaymen have claimed for long to look to mine surface workers as analogues, but there has in fact been substantial divergence over recent years, and this year's pay settlement, following the unilateral reference to the RSNT, will show whether any link to miners' wages survives.
- h. Repercussions of Settlements: Coming towards the end of the pay round, BR settlements have little influence on other major groups - miners, power workers etc. all settle earlier. The annual settlement of London Transport Executive also falls in April and with the same unions (NUR, TSSA, ASLEF) involved in the underground pay negotiations the two are rarely dissimilar. In addition BTDB national negotiations with non-registered dock manual workers (end April) who are mostly NUR members, are influenced by the main BR settlement, and, to a lesser extent TSSA members elsewhere in the Transport Industries (BTDB, LTE) also.

SECTION 2 - BARGAINING STRATEGY

- a. Appraisal of Management: The present management are committed to the EFL disciplines (more so than some other nationalised industries), keep in very close touch with the movement of sentiment in the leadership of their unions and among the work force, and are adroit negotiators. They have sought where possible to go for quick settlements, and to avoid references to the RSNT. But it is very unlikely that they would be at all willing to confront the prospects of major

strikes simply on an issue of pay unrelated to real issues of productivity, unless the unions' demands were clearly out of line with settlements in other parts of the public trading sector.

- b. Non-Pay Factors Relevant to Negotiations - including Productivity options and investment plans: The Board will be seeking to make progress in major productivity changes but the union leadership are now under increasing rank and file pressure to resist any further service reductions or loss of jobs. Since the Government have now specifically linked one category of investment (which is main line electrification) to progress on productivity, it will be difficult to get across a clear message making other links between pay, productivity and investment.
- c. Scope for Discriminating in Settlements: There is no scope for regional variations because BR operates a National Conditions Agreement. There are separate negotiating arrangements nationally for different staff groups, but the same unions are involved and they press for parity. Regional variation could impede BR closure plans by discouraging voluntary transfer of staff. Subsidiary companies' (Freightliners, Sealink) settlements tend to follow those of the industry concerned (road haulage, shipping) rather than the main rail agreements.

SECTION 3 - HOW MIGHT GOVERNMENT SEEK TO INFLUENCE EVENTS

- a. Management Attitude to Government Involvement: The management is very accustomed to discussing business plans and budgets in detail with the Department, and is well accustomed to explicit discussion of pay assumptions in setting the EFL and grant limits. They are also accustomed to explaining to Ministers the offers they propose to make. On the pay front, their general management style has been to seek clear understandings with the Government, and to avoid any public position contrary to that of the Government, while seeking to retain some room for manoeuvre for themselves.
- b. State of Communications between Industry and Department: Good
- c. Scope for Influencing Public Opinion: It would not be possible to argue that railwaymen are substantially overpaid. The main general argument must be on productivity, and on general pay policy. The sector of the public most immediately and directly affected by a rail strike is the London commuters, and the Board who have developed a considerable counter-propaganda towards commuters arguing for more Government support and investment. It would take a considerable and prolonged effort to establish a counter position, concentrating on a link between pay and fare levels. Public attitudes in the end might be much affected by whether or not the matter has been referred to the RSNT, and whether what the railwaymen were seeking was much different from what others had gained earlier in the pay round.
- d. Recommendation on Government Involvement: Management is aware of the EFL constraints on pay. But to work within these pay-

bill limits management need freedom for manoeuvre. Government involvement probably best restricted to a close monitoring of paybill effects of pay offers, rather than the percentage earnings of particular groups.

SECTION 4 - ACCEPTABILITY OF STRIKE RISK

- a. Assessment of Prospective negotiating stance and likelihood of Strike: The RSNT recommendation on the 1981 pay settlement is now awaited, and should come out later this month. Strikes would be likely if the Board refused to follow the RSNT recommendations, though these are not binding. It is pointless to speculate now about the 1982 position.
- b. Scope for reducing risks - eg by considering special pay arrangements for key groups (with or without no strike agreements): Little scope in the short term. For the future, movement towards a "salaried" workforce would help to overcome basic pay/take-home pay problems.
- c. Likely consequences (including financial consequences) of a strike on the industry, its suppliers and customers, and on the economy at large: The main effects of a rail strike are on movement of coal to power stations, and on commuter travel into London. The inconvenience to commuters would be substantial, but the effects on the operation of London would probably not be seriously damaging. A prolonged interruption to coal to power stations would inevitably lead to reductions in electricity supply with wide-spread effects on the economy. If the whole workforce is on strike, the railway loss additional to that already financed by the Exchequer would be small. But a strike by only some (eg drivers, or signalmen) would not help the railway and could incur additional losses up to £30m a week. To send men home in these circumstances would breach a very long-standing agreement for a guaranteed minimum week, but that issue would have to be faced.
- d. Possible Action to mitigate effects of a Strike: Relaxation of parking and other traffic restrictions and increasing stocks at power stations of coal and oil.
- e. Recommendation on whether Ministers should be prepared to endorse (and support) a high-risk or low-risk strategy:
The Government is already following a high-risk strategy on rail business changes. Since the rail pay settlement comes at the end of the pay round, and since any strike would likely to follow a management rejection of an RSNT award, with a consequent loss of public sympathy, the dividends from following a high-risk policy on rail pay might be limited.

THE BUS INDUSTRY AND LONDON TRANSPORT

1. NATIONAL BUS COMPANY

SECTION 1 - BACKGROUND

a. Numbers and types of staff:

Manpower:	51,000	36,000 drivers/conductors
		10,000 non-manuals
		5,000 craftsmen

b. Unions involved: TGWU, NUR, AUEW, NALGO, ACTSS

c. Settlement date: 1 March

d. Negotiating machinery, availability of arbitration etc: Bus men and non craft maintenance: Pay and conditions of service are covered by the National Agreement and negotiations are conducted at meetings of the National Council for the Omnibus Industry. Arbitration is available with findings binding.

Admin/Clerical/Supervisory: Negotiations are through the NJC for non-manuals with arbitration allowed on any unresolved issues.

Craftsmen: Negotiations are through the NJC (in parallel to bus men) but no arbitration is available.

e. Total Wage Bill: £333.5m (1980)

f. Relevance of EFL constraint to Wage Bill: The Pay assumption in EFL has dictated Managements' approach to pay bargaining but earlier settlements elsewhere in the bus industry often produces greater pressures.

g. Past Pattern of Settlements: Closely follows the earlier Municipal Bus settlements. (1 January)

h. Repercussions of Settlements: Can influence negotiations in PTEs and LTE who settle later.

SECTION 2 - BARGAINING STRATEGY

- a. Appraisal of Management: Generally competent. Have shown skill in achieving substantial staff run-down and reasonable pay settlements without major industrial trouble.
- b. Non-pay Factors Relevant to Negotiations - including productivity options and investment plans: While the bus industry generally has been hard hit by the general industrial recession, the staff shortages previously so prevalent have disappeared almost everywhere. NBC has to take account of settlements elsewhere in the industry because of Section 152 Road Traffic Act 1960. Loss of overtime working due to decreasing customer demand is creating more pressure for improvements in basic pay.
- c. Scope for Discriminating in Settlements between Regions, Sectors or Groups (eg blue and white collar workers): While pay bargaining is separate for different types of employee, rates are negotiated on a national level. (The exception is London County Buses, where the geographic situation calls for significantly different arrangements). Management favours national bargaining as it prevents the unions using Section 152 to get higher settlements by exploiting a particular company.

SECTION 3 - HOW MIGHT GOVERNMENT SEEK TO INFLUENCE EVENTS

- a. Management attitude to Government Involvement: Management welcome general initiatives such as warnings over RSG and TSG in the event of higher settlements in the local authority sectors. Management also accepts that the discipline of the EFL helps them ensure that wage settlements are not out of line with increases in costs and fares. Attempts to restrict more precisely the scope for negotiation within the EFL would however not be appreciated. A more direct constraint on the amount which can be offered is the performance aim (in 1981 to reduce real costs by 3%) which the Government has set, with the Company's agreement.
- b. State of Communications between Industry and Department: Very good.
- c. Scope for Influencing Public Opinion: Generalised warnings to the bus industry as a whole. Public opinion likely to be volatile and changeable - ie supportive of Government in early days of strike, quickly changing to demanding a settlement as disputes drag on.
- d. Recommendation on Government Involvement: In the present financial state of the industry, management can be relied on to take a firm line without direct Government involvement.

SECTION 4 - ACCEPTABILITY OF STRIKE RISK

- a. Departments Assessment of Prospective Negotiating Stance and likelihood of Strike: Busmen's earnings have been made up

of low basic wages supplemented by overtime earnings. Cuts in services have meant that the capability to supplement basic rates has declined. There will undoubtedly be strong pressure for high basic rate increases to maintain levels of take-home pay. (Such increases would not necessarily flow through to pay bill). The bus men are aware of the state of their industry and widespread prolonged strike action is unlikely.

- b. Scope for reducing Risks - eg by considering special Pay arrangements for key groups (with or without no Strike Agreements): Not required.
- c. Likely consequences (including Financial Consequences) of a Strike on the Industry, its Suppliers and Customers, and on the economy at large: Outside London bus men's strikes have serious consequences only for the finances of the undertakings concerned, though they can hit local town centres quite hard.
- d. Possible Action to mitigate effects of a Strike: Not required.
- e. Recommendation on whether Ministers should be prepared to endorse (and support) a high-risk or low-risk Strategy: A high-risk strategy can safely be supported.

2. MUNICIPAL BUS UNDERTAKINGS (49)SECTION 1 - BACKGROUNDa. Numbers and types of staff:

<u>Manpower:</u> 19,600	Platform	14,200
	Craftsmen	2,500
	Semi and unskilled	2,500
	Apprentices	450

b. Unions Involved: TGWU, GMWU, AUEWc. Settlement Date: 1 Januaryd. Negotiating Machinery/Arbitration: Negotiations are on the basis of the National Agreement (bus men) and in the NJC (craftsmen) with arbitration available initially with the Wages Committee and, if still unresolved, ACAS etc.e. Total Wage Bill: Unknown (impossible to isolate from individual local authorities).f. Relevance of EFL Constraint to Wage Bill: Not applicable (local authority financed).g. Past Pattern of Settlements: Have generally been in line with the local authority national settlements.h. Repercussion of Settlements: NBC have found it impossible to settle below the rates set by the Municipal undertakings. Also affects PTE and LTE rates.3. PASSENGER TRANSPORT EXECUTIVES (7)SECTION 1 - BACKGROUNDa. Number and types of staff:

<u>Manpower:</u> 40,000	Drivers/Conductors	24,000
	Craftsmen	6,000
	Non-manuals	5,700

b. Unions Involved: TGWU, GMWU, AUEW, NALGO, ACTSSc. Settlement Dates:

Bus men	:	various between October & March
Craftsmen	:	do
Non-manuals	:	1 April

d. Negotiating Machinery/Arbitration: For bus men and craftsmen negotiations are local and independent at each PTE. Formal arrangements for arbitration (via ACAS) exist in 3 of the 6 PTEs. National negotiations are conducted for non-manuals.e. Total Wage Bill: c £240m (1980/81 figure, not including increases in current pay round).

- f. Relevance of EFL Constraint to Wage Bill: Not applicable (Local authority financed).
- g. Past Pattern of Settlements: Have been in line with NBC and Municipal Buses (except for certain exceptions eg South Yorkshire where rates had fallen markedly behind).
- h. Repercussion of Settlements: The rates set by PTEs settling early in the pay round influence those coming later and also NBC, Municipal Buses and LTE.

4. LONDON TRANSPORT EXECUTIVE

SECTION 1 - BACKGROUND

- a. Number and types of staff:

Manpower: 60,000	Underground	:	24,000
	Bus	:	31,000
	Administrative	:	5,000
- b. Unions Involved: NUR, TSSA, ASLEF, TGWU, AUEW, ASTMS, BTOG
- c. Settlement Dates: For all groups, fall in April.
- d. Negotiating Machinery/Arbitration: Platform and Railway staff negotiate with the Central Bus, and Railway Negotiating Committees. Arbitration is provided by reference to the Wages Board where unilateral, and joint if so agreed, references are not binding. Rail workshops and miscellaneous grades are dealt with by joint committees with no formal arbitration arrangements.
- e. Total Wage Bill: (Including NI, pensions, allocation of capital works) 1981 estimates:

Rail:	£224m
Bus :	£295m (including 8% increases agreed).
- f. Relevance of EFL Constraint to Wage Bill: Not applicable (local authority (GLC) financed).
- g. Past Pattern of Settlements: Tube workers closely follow main British Rail settlement which occurs at a similar time. Bus men follow pattern established in other public bus undertakings earlier in round. But if railmen obtain a better deal bus settlements tend to be re-opened to give parallel rates.
- h. Repercussions of Settlements: Coming so late in the round (like BR) there appears to be little "knock-on" effect from LT settlements immediately. But this year with the new GLC and the NUR confrontation with them, may be the exception so far as the buses are concerned.

LTE/PTEs/MUNICIPALS

SECTION 2 - BARGAINING STRATEGY

- a. Appraisal of Management: Too broad a group to assess. But PTE

and LTE management have generally to toe the line dictated by their political masters. (See b.)

- b. Non-pay Factors: The responsibility for these undertakings rests with local authorities in their areas of operation. Political control has changed this year in many of these. Outside London, settlements are influenced by increases for local authority employees. In London, BR agreements and tube men's settlements are the major influences. While the bus industry generally has been hard hit by the general industrial recession, the staff shortages previously so prevalent have disappeared almost everywhere. Each undertaking has to take account of settlements elsewhere in the industry because of Section 152 Road Traffic Act 1960.
- c. Scope for Discrimination: Settlements for different groups are negotiated separately. Only among the PTEs does some regional local influence apply - and this to a limited extent. Traditionally the industry works on the basis of a "going rate"

SECTION 3 - GOVERNMENT INFLUENCE

- a. Management Attitude to Government Involvement: Government has no locus in this area. Management resents Departments detailed probing.
- b. Communications between Industry and Department: Department treads a delicate path (See a.) but communications are excellent.
- c. Scope for Influencing Public Opinion: Only in the context of general statements on the bus industry.
- d. Government Involvement: The Government has encouraged arms length arrangements between elected members and unions, with the undertaking responsible for negotiations, in spite of some members' pressure to take over direct negotiations. However in the light of some reported attitudes by members, general warnings on RSG/TSG implications of high settlements would be timely and worthwhile.

SECTION 4 - ACCEPTABILITY OF STRIKE RISK

- a. Assessment of Negotiating Stance and Strike Proposals: Bus men's earnings have been made up of low basic wages supplemented by overtime earnings. Cuts in services have meant that the capability to supplement basic rates has declined. There will undoubtedly be strong pressure for high basic rate increases to maintain levels of take-home pay. (Such increases would not necessarily flow-through to pay bill). The bus men are aware of the state of their industry and widespread prolonged strike action is unlikely.
- b. Scope for Reducing Risks: Not required.
- c. Consequences of Strike: Bus men's strikes have serious consequences only for the finances of the undertakings

concerned. In London the main concern must be the perceived effect of a strike by the travelling public. Real problems would only arise in the event of a simultaneous tube and/or rail stoppage.

- d. Mitigation of Strike Effects: Not required.
- e. High/low Risk Strategy: A high-risk strategy can safely be supported with only LTE as a doubtful case. While all-out strike action on LTE underground and/or buses is likely to have little economic significance (particularly in the short term) public pressure on Ministers to end the commuter chaos is likely to escalate rapidly..

Transport Industrial Relations Divn
Department of Transport

July 1981

MR. INGHAM

Nak Ind
✓MS
c.c. Mr. Sanders ✓

✓R to see

PAY SETTLEMENTS IN THE NATIONALISED INDUSTRIES

The monitoring of nationalised industries' pay settlements has thrown up one interesting and useful point - that you might find occasion to draw upon, either with the Lobby or in your private contacts with the media. That is that there are the beginnings of indications of pay settlements determined by market considerations. For instance, the management of the National Freight Company - principally the 13,000 operatives of BRS - have offered 5.2 per cent to top drivers and 5 per cent to other operators, which union negotiators are recommending to a delegate conference this week. This offer is in line with other settlements in the Road Haulage Association. And the National Bus Company has offered 7.5 per cent to the 39,000 platform and maintenance staff, which has been accepted. The acceptance by BSC workers of the pay freeze until 1 July is already widely known, as is the offer (not yet accepted) of a pay freeze for British Airways' staff until 1 April.

The Government has always said that it is to be expected that there will be a wide range of settlements consistent with the operation of market forces, and it does look as if that may be the pattern even in the public trading sector.

L.M.M. VEREKER

16 February 1981



CF
For Chamberlain's
mtg -
Wednesday

10 DOWNING STREET

TL

~~Mr. Chamberlain~~

Mr. Chamberlain.

Noted, Chamberlain.

W.
19/12

To Mr. Chamberlain

mtg. 19/12.

I will write him

at next mtg with

Chamberlain.

TL
19/12

CONFIDENTIAL

Anti-Christ

1

*I don't think this quite
justifies a Prime Minister's
minute. If you agree, I will
turn it into a Private Secretary
cc. Mr. Duguid *later*.*

MR. LANKESTER

*I don't think we
need put any more
in writing.*

Chancellor's Meeting with Nationalised Industry Chairmen

D.

The Prime Minister has agreed that the Chancellor should himself put across to the Nationalised Industry Chairmen the importance the Government attach to the achievement of low pay settlements, rather than have sponsor Ministers call in the Chairmen individually. The Chancellor's meeting with the Chairmen's Group is to take place on 18 December.

9/12

I understand that Treasury officials are privately concerned lest this very important opportunity to lean on the Chairmen is not used to the fullest advantage. There is on these occasions always some difficulty in explicitly stating the Government's objectives, rather than talking in general terms. The Treasury therefore intend to provide the Chancellor with a paragraph of speaking material for him to use almost verbatim, to ensure that there is no misunderstanding; but I think it would be very helpful if the importance of this meeting were reinforced in the Chancellor's eyes by means of a minute from the Prime Minister.

If the Prime Minister agrees, she might care to write along the lines of the attached draft.

J.V.

9 December 1980

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10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No.

CHANCELLOR OF THE EXCHEQUER

I understand you are meeting the Nationalised Industries' Chairmen's Group on 18 December. I hope you will be making a particular point about the need for restraint in the coming pay round. I attach great importance to the Chairmen being told in unequivocal terms that the Government expect them to achieve settlements in line with the pay assumptions in the External Financial Limits.

I think the Chairmen should also be told that the Government's general disposition towards the nationalised industries would not be improved if irresponsible pay settlements led again to the kinds of substantial increases in charges which have occurred this year, and which have been the major ~~contributory~~ cause ^{of increase in the retail price index.} ~~to the current rate of inflation.~~

I am sending copies of this minute to members of E Committee.

December 1980

CONFIDENTIAL

NATIONALISED INDUSTRY PAY NEGOTIATIONSOBJECTIVE

Unlike others in this series, this note is largely defensive. There has been extensive reference in the press to the need for restraint in nationalised industry pay bargaining, and there is a wide realisation of the effect of pay settlements on the prices of services such as gas, electricity, coal, rail fares and telephones. Ministers are now deciding on the External Financial Limits (EFL) for the nationalised industries; and pay bargaining has begun with the miners leading the field. So there will be considerable public interest in pay bargaining in the nationalised industries in the months ahead, and it is bound to have an influence on pay behaviour elsewhere. This note explains the Government's broad presentational approach; provides the necessary factual background; and indicates an appropriate line to take in response to questions from the media or from the public.

THE BROAD TACTICS

The Government has made clear its expectation that the nationalised industry Chairmen will make offers which will take into account the need for significantly lower settlements to maintain competitiveness and avoid embarrassing the private sector. This points to pay increases in single figures. We hope that settlements will be justifiable by Ministers in terms of the economic strategy as a whole.

In one or two cases nationalised industry employees may try to use the bargaining power which stems from their monopoly position - and therefore their ability to pass on wage increases in higher prices - to extract settlements regardless of increased productivity. In the longer term, the Government can combat this by action to diminish the monopoly power of these industries. In the short term, if the point is reached at which a particular industry is faced with industrial action over a claim which goes beyond a

/reasonable

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LINE TO TAKE IF NECESSARY

- (i) It is for each nationalised industry management to decide what they can afford to offer this time round, in the light of their own financial position and of the overall economic environment.
- (ii) Employees - even those in monopoly industries - must recognise that they cannot insulate themselves from the general economic situation. Excessive pay settlements must inevitably mean lost jobs. In the short term, they may be other people's jobs. But in the longer term, their own jobs as well must be affected.
- (iii) Nationalised industry Chairmen are well aware of the Government's views about the level of pay settlements that would be appropriate in present circumstances. The Government would expect to see a range, depending on individual financial positions, but in general, pay settlements in single figures.
- (iv) Individual settlements are not in themselves critical to the Government's overall strategy. The important thing from the Government's point of view is the overall pattern, not the individual settlements, which will in any event vary accordingly to the precise circumstances of each industry.
- (v) /If pressed/ The Government do discuss with the industries concerned their assumptions on pay, among other factors; and the EFL is of course set by the Government, not by the industries; but the Government do not direct the industries over pay negotiations.

Further guidance will be issued as the pay round progresses.

MR. INGHAM

c.c. Mr. Lankester ✓

NATIONALISED INDUSTRY PAY NEGOTIATIONS

You will have seen Mr. Lankester's minute earlier today recording that there was no clear conclusion about the way in which Ministers should be briefed on the NCB negotiations, at the Prime Minister's meeting last night.

It so happens that I had already picked up the remit from the minute of 13 October by the Chancellor's Private Secretary for No. 10 to prepare a general brief on nationalised industry pay negotiations, and you have already seen my letter of 20 October to the Treasury. It was my clear understanding from the meeting last night that the line to take suggested in my draft brief would be consistent with the Paymaster General's reservations about the danger of Ministers commenting on the miners' negotiations in particular; at the same time, I think the body of the brief would meet the Chancellor's feeling that Ministers need to be given some confidential background. In view of the sensitivity of this issue, however, I have asked Mr. Broadbent to arrange that the brief is seen by the Chancellor, on the understanding that we shall wish to consult the Paymaster before deciding whether or not to put it out. At that point, I think we should also let Mr. Lankester see it.

(JOHN VEREKER)

22 October 1980



Secretary of State for Industry

Noted

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-2123301
SWITCHBOARD 01-212 7676

8 October 1980

Julian West Esq
Private Secretary to the
Secretary of State for Energy
Department of Energy
Thames House South
Millbank SW1

P.
13/10

Dear Julian

THE RADIO CHEMICAL CENTRE: ANNUAL PAY NEGOTIATIONS

My Secretary of State has seen your Secretary of State's letter of 6 October setting out the reasons why he does not wish to use the Government's shareholding in the Radio Chemical Centre to influence the company to moderate its proposed wages offer.

2 My Secretary of State thinks that the Government ought to be seeking to influence even private sector companies to settle at well below 10% in the current pay round. He thinks that the matter should be discussed in E(EA) Committee.

3 I am copying this letter to the Private Secretaries to the recipients of yours.

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary

CONFIDENTIAL

cc: Chief Secretary
Financial Secretary
Sir Douglas Wass
Mr. Pyrie
Mr. Middleton
Mr. Dixon
Mr. Burgner
Mrs. Heaton
Mrs. Case
Mr. Wicks
Mr. M. Booth



Handwritten: *Noted*
CC Answer
An understatement!

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

7 October 1980

Handwritten: *R*
7/c

I. Ellison, Esq.,
Private Secretary,
Department of Industry

Dear Ian,

NATIONALISED INDUSTRIES: PAY

Although the Chancellor is not intending to circulate a paper in advance of his meeting on 13 October, he has asked me to indicate to you and to the other Private Offices concerned the main areas where he thinks a discussion would be useful.

X *Handwritten:* *11*
First of all the Chancellor will want to take the opportunity of the meeting to have a forward look at the outlook for pay in the main nationalised industries in the coming pay round. The industries have made available a number of economic assumptions for the purposes of determining their EFLs in 1981-82 including assumptions about the movement of earnings. It may be desirable to consider the latter in the light of actual and expected developments on pay in manufacturing industry and elsewhere in the economy.

The other main area where the Chancellor thinks a discussion might be helpful is in relation to the arrangements set out in the third paragraph of his letter of 4 September to the Secretary of State for Industry.

Yours crew,
Peter

P.S. JENKINS

Copy to: Private Secretaries to: Energy
Environment
Scotland
Wales
Trade
Transport
Employment
No.10

CONFIDENTIAL

cc Mr Duguid
Mr Verheke

01-211-6402

The Rt Hon Sir Keith Joseph Bt MP
Ashdown House
123 Victoria Street
London SW1E 5RB

6 October 1980

CONFIDENTIAL

Joe Kirk

THE RADIOCHEMICAL CENTRE: ANNUAL PAY NEGOTIATIONS

Thank you for your letter of 30 ^{September} November about TRC's pay negotiations.

I fully understand what you say about the considerable strength of feeling about public sector pay not being subjected to the restraints now being experienced by private industry. However this is directed to organisations which are felt to be insulated from the effect of market forces by the provision of Government assistance or by being monopolies. TRC is not in this category, a point which Norman Lamont's letter perhaps did not sufficiently exphasize.

As Norman said, TRC is a Companies Act Company. It is engaged in the procuring, processing, manufacturing and marketing of radioactive isotopes for a wide range of medical, industrial and research purposes. It owns overseas subsidiaries and overseas sales amount to something over 80% of gross sales. It is very efficient and profitable, operating in a highly competitive international market. Despite trading difficulties, shared by most UK companies and arising from the strong pound and the high cost of borrowing, it is steadily expanding its operations and will shortly open a large new plant in Cardiff. It has a work force of some 1500 which will increase as Cardiff operations build up. As you point out, the Government is the sole beneficial shareholder, and each year receives a dividend, that for 1979-1980 being £752,000 out of profits amounting to £4m.

(2)



I should emphasize that my Department has very little day-to-day contact with this Company, and there has been no cause to intervene directly in its affairs. It has never turned to the Government for financial support: when it needs additional funds it obtains these on the market in exactly the same way as does any private sector company. The Company is not subject to a cash limit or an EFL. In other words, for all practical purposes it is no different from any modern and efficient private sector company, and it is indeed planned for "privatisation".

This position applies equally to its current pay negotiations, the outcome of which will be determined by current market forces including the Company's profitability and investment needs. The Company's judgement is that these factors would justify a settlement of the level indicated in Norman's letter.

I would not wish to challenge TRC's judgement in these matters. I understand that at their meeting of 25 September with their Staff and Trade Union Side, they offered a 9% increase on pay scales. The negotiations were adjourned until 14 October, and the Company expect in due course to achieve a settlement at the level they have in mind. I do not intend to intervene in these negotiations. However, if in the light of this letter you and colleagues believe it could be useful, I would be happy to participate in a discussion in E (EA) Committee.

Copies of this letter go to the recipients of yours.

D A R HOWELL

Yan

David

Nat Inds.



*John Verker
in House*

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
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Secretary of State for Industry

30 September 1980

The Rt Hon David Howell MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
SW1P 4QJ

DL

v/c

Dear David,

THE RADIOCHEMICAL CENTRE : ANNUAL PAY NEGOTIATIONS

Norman Lamont sent me a copy of his letter to Geoffrey Howe of 25 September.

2. While I sympathise with the argument that TRC is a Companies Act company and a prospect for privatisation, TRC itself is clearly part of the public sector. There can be no doubt about the strength of feeling about the way in which the public sector pay is not being subjected to the restraints now being experienced by private industry. We also need to get the new pay round off to a satisfactory start.

3. Since we are the sole beneficial shareholder, the Government cannot stand aside if the TRC are contemplating a double figure settlement. I think that we have no alternative to telling the company that, as shareholder, we expect them to settle well within single figures and that any settlement on the lines currently proposed is simply not acceptable. If you see difficulties about this I think that the issue ought to be considered in E(EA) Committee.

4. I am sending copies of the letter to other members of E and E(EA) Committees and to Sir Robert Armstrong.

Lamont

Kear



From the
Parliamentary Secretary

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street SW1P 3HE

Prime Minister
Not Incl.
DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01-211 4953
Switchboard 01-211 3000

25 September 1980

Dear Geoffrey

TRC: ANNUAL PAY SETTLEMENT NEGOTIATIONS

In your letter of 4 September to Keith Joseph, you asked that you and colleagues be kept informed of developments in major nationalised industries' pay negotiations.

The Radiochemical Centre Ltd (TRC) is not a major industry, but nonetheless you will wish to know that the Company is about to embark on negotiations aimed at achieving a pay settlement, to run for the 12 months from 1 November, covering its 1700 non-industrial and industrial staff.

TRC is a Company's Act company, operating strictly in accordance with commercial principles. You will recall that its shares are owned by the UKAEA on behalf of the Government, and that it is to be privatised when the necessary legislation can be enacted. It has a good trading record, a long history of successful exporting and has a number of wholly-owned subsidiaries, particularly in Western Germany and the USA. It has also acquired, and is developing, a new plant in Cardiff. Its profits have, however, been somewhat depressed recently, partly because of heavy investment in the new Cardiff plant and partly by the strong Pound.

While TRC's Staff/Trade Union Sides have submitted no formal pay claims, they have indicated that they are looking for increases of around 12-15 %. The Company, who are to open negotiations on 25 September, have in mind achievement of a settlement providing for across-the-board increases on pay rates of about 10%, with minor consequential increases to overtime and other special payments, the cost of which will not add significantly to the total cost of the settlement. The Company believes that it will be possible to achieve a quick on-the-spot settlement on this basis. If, however, the Staff/Trade Union representatives show signs of pressing for higher increases the Company will not seek to achieve an immediate settlement.

I recognise that we would prefer to see a single figure settlement. However, TRC, although government-owned, is a Company's Act company, subject to the same market constraints in its pay negotiations as



The Rt Hon Sir Geoffrey Howe QC MP
September 1980

any private sector organisation. Because it receives no voted funds, it is not subject to cash limits and its modest borrowing requirements are not included in the PSBR. There is no mechanism, therefore, through which the Government could influence TRC's settlement other than direct intervention. In view of the Company's intentions to go for a settlement of about 10%, I do not therefore think it would be appropriate to intervene in these negotiations.

I am copying this letter to other members of E Committee and Sir Robert Armstrong.

Yu -
Norm

NORMAN LAMONT

CONFIDENTIAL



Prime Minister

AMH

4 ix

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

4 September 1980

The Rt. Hon. Sir Keith Joseph, Bt., MP.
Secretary of State for Industry

Dear Sir

NATIONALISED INDUSTRIES : PAY

Over the next pay round we shall need to receive in good time information about the developing picture on public sector pay. Informal arrangements have already been made to do this for public services pay. However, we clearly need parallel but different arrangements in the case of the nationalised industries.

When we discussed pay matters generally with the major Chairmen on 28 July it was agreed that the industries would inform the sponsor Departments of the approach they would be taking to the next round of pay negotiations.

I think that we need to follow this up if we are to have useful and timely information. I am therefore writing now to ask you and other sponsor Ministers to reinforce what was said on 28 July by seeking the co-operation of the Chairmen of each of the industries for which you are responsible in keeping us closely informed of significant developments in good time.

What I think this means is that we should ask the Chairmen to inform us of any intention to make an offer at least 7 days in advance and preferably more and also to keep us in touch with the progress of negotiations. In asking for this we will want to make clear yet again that it is not our intention to take over pay negotiations which must remain the responsibility of the industries' managements. This is obviously a sensitive area which needs to be handled with care but we want to avoid being taken by surprise by excessive offers and settlements in particular industries.

/I hope it

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I hope it will be possible for you to do this immediately after the holidays and before negotiations get under way in particular industries. Meanwhile, I have asked my officials to keep in touch regularly with yours on these matters.

I am copying this letter to the Prime Minister, the Secretary of State for Employment and the other nationalised industry sponsor Ministers.

A handwritten signature, likely of Geoffrey Howe, written in dark ink. The signature is stylized and appears to be "G. Howe". It is positioned below a horizontal line and above another horizontal line.

GEOFFREY HOWE



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