SECRET

MT

Part 4

Confidential Filing

Pay of Local Authority Manual Workers; Water Manuals and Firemen.

LOCAL GOVERNMENT

Part 1: October 1980

Part 4: May 1983

PREM 19/3843

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~3.5.83~~		~~11.5.84~~					
~~12.5.83~~		~~15.5.84.~~					
~~18.5.83~~		~~27.7.84~~					
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~~6.9.83~~		~~15.5.87~~					
~~4.9.83~~		~~4.9.87~~					
13.2.84		~~28.9.87~~					
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~~14.3.84~~		27.11.92					
~~21.3.84~~							
~~3.4.84~~							

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SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

My ref:
Your ref:

Telephoned DOE, 30/11. MF.

CCPU
PRESS
HEC

Ms Mary Francis
PS/Prime Minister
10 Downing Street
LONDON SW1A 2AA

Prime Minister,
Content with Mr Howard's remarks? They single out utilities for special virtue on pay. I've suggested to DOE that there should be some reference to the fact that all public sector staff will get 0 - 1½% next year.
MF 27/11

27 November 1992

Dear Mary

WATER COMPANY PAY LEVELS

The Secretary of State has asked me to let you see in advance remarks which he proposes to make and press release on Monday about the level of water company chairmen's pay.

This is attached.

I am copying this letter and enclosure to Jeremy Heywood, in the Chancellors' office, Peter Smith in Michael Heseltine's office, Jenny Curtis in Gillian Shephard's office, John Bailey in the Lord Privy Seal's office, and to Melanie Leech in Sir Robin Butler's office.

Yours

Al

ALAN RIDDELL
Private Secretary

100% RECYCLED PAPER

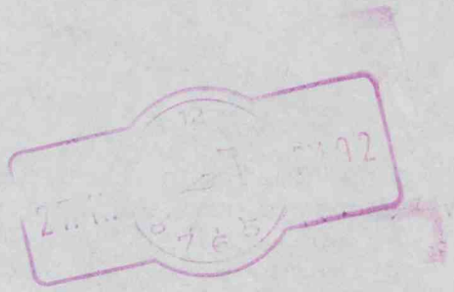
MICHAEL HOWARD CONDEMNS WATER PAY RISES

"Water Company Chairmen should be setting an example in pay restraint", Environment Secretary Michael Howard said today. Mr Howard was speaking at the opening of a new water treatment facility for Thames Water at Walton on Thames.

The Environment Secretary said:

> " I know that many people share my concern at the very large pay rises for senior management in the water industry over the last two years.
>
> " We all need to accept that water companies and other utilities have a unique position in the market. They provide services which millions of people have to buy who themselves may be faced with pay restraint or indeed unemployment.
>
> " So as their customers we are all entitled to look to the leaders of utility companies - even more so than managers and Chairmen in general - to set an example by holding back their pay in the coming year."

Mr Howard emphasised that his comments were not directed particularly towards Thames Water whose Chairman, Sir Roy Watts, has taken a substantial salary cut this year.



From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

8 October 1987

Dear David,

WEST GLAMORGAN FIRE BRIGADE

Ministers will be aware that an agreement was reached last night between representatives of the West Glamorgan County Council and the Fire Brigades' Union (FBU) bringing the present industrial dispute to an end.

The parties to the dispute were invited separately to the ACAS offices yesterday to outline the nature of the differences between them. There were clear indications that the FBU representatives were anxious to reach a settlement which they could persuade their members to accept. ACAS officials decided to proceed by producing a draft document for signature by both parties. This would convey the County Council's acknowledgement that a final decision with regard to their section 19 application to the Home Office for a reduction in fire cover would be taken on a timescale which would not preclude consideration of the FBU's concerns about certain aspects of the methodology used in the risk categorisation review. Secondly, on the basis of that acknowledgement and the consequent understanding by the Union that its concerns would be fully taken into account, the FBU would agree to withdraw its threatened industrial action and instruct its members to work normally. In return the County Council would withdraw its letters to FBU members informing them that they were regarded as having effectively terminated their contracts of employment.

A copy of the "ACAS Understandings" as formally agreed and signed by the parties is annexed. It very closely follows the format described above. This is a satisfactory outcome; the fire authority has not altered its plans for changing fire cover and potentially damaging industrial action has been brought to an end. The procedures described in Section A to the Agreement would have been followed in any case, and to that extent it could well be argued that the FBU's threatened industrial action and the consequent industrial disruption was misconceived ab initio and the FBU have gained nothing in return.

As we informed your Duty Officer yesterday evening, the FBU had instructed their members in West Glamorgan to work normally. We understand that this instruction has been obeyed and that the army ceased attending fire calls as from 9.40 p.m. yesterday and the Green Goddesses were removed at 9.00 a.m. this morning; the troops themselves will be leaving West Glamorgan at noon today. We understand that all sympathetic unofficial action elsewhere in the country has come to an end. The likelihood of renewed industrial action is remote and there is no need for servicemen to remain on notice to move.

CONFIDENTIAL

CONFIDENTIAL

The Home Secretary has asked me to convey his thanks to your Secretary of State for agreeing to military assistance and for the prompt and efficient way in which it was made available.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer. the Secretaries of State for Wales, Employment, Northern Ireland, Environment, Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Transport, Social Services and Energy, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

Philip Mawer

P J C MAWER

David Ball, Esq.,

CONFIDENTIAL

ACAS UNDERSTANDINGS

meetings between officials of ACAS and representatives of the West Glamorgan County Council and the Fire Brigades Union held in London on Wednesday 7 October 1987 the following matters were agreed and understood between the parties.

A. The County Council has applied to the Home Office for the Home Secretary's approval to certain proposed changes in the fire brigade establishment scheme under section 19 of the Fire Services Act 1947. The County Council has always accepted and understood that such changes in fire cover are subject to the approval of the Home Secretary in the context of section 19 which would include the issue of centralisation of special appliances at Morriston. The County Council's understanding is that the timescale of the Home Secretary's determination of the County Council's section 19 application would allow the Department to take account of any appropriate and relevant representations of interested parties (including the Fire Brigades Union) and the deliberations and conclusions of the Joint Committee on Fire Brigade Operations which is next to meet on 14 October and, if so referred, the deliberations and advice of the Central Fire Brigades Advisory Council.

B. The Fire Brigades Union agrees to call off their threatened industrial action with immediate effect and as a result the local authority fire service should resume responsibility for the provision of fire cover, also with immediate effect. All practical steps will be taken to this end.

The County Council agrees that as from the resumption of normal working all FBU members are reinstated upon their original terms and conditions of contract, subsequently to be confirmed in writing to each employee.

D. The County Council agree that for the purposes of pensionable pay and continuity of service no penalty or deduction will be incurred by FBU members. The position on pay for the period of dispute will be considered by the County Council in the light of advice and subject to further consultation with the FBU.

E. The County Council agree that in the event of the Home Secretary approving any section 19 applications by the Authority then meaningful negotiations will be held with the union as to the implementation.

Signed .....
Fire Brigades Union

Signed .....
West Glamorgan County Council

Witnessed .....
ACAS

Witnessed .....
Employers Secretary

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

5 October 1987

Dear John,

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY THE FIRE BRIGADES' UNION

ATTACHED

Further to my letter of 2 October to David Ball (MOD) - copied to you - your Secretary of State may like to know how the situation in West Glamorgan has developed today.

We were informed by the County Council at about 11 a.m. that its Public Protection Committee had rejected the Fire Brigades' Union's (FBU) demand that the Council's earlier decision on reorganisation of fire cover should be rescinded. The Council formally asked for military assistance as from noon; this has been provided. Shortly before noon we received by fax a copy of a letter from the Council to the national FBU notifying them that it was not prepared to accept the conditions which the FBU had laid down, and that the Council was writing to each member of the FBU in West Glamorgan terminating their contract of employment. The letters to individuals were not in fact issued until 4 p.m., at which time 999 calls were redirected to the emergency control.

The letters to individuals said that by stating his intention to withdraw cover without notice, and therefore that he did not intend to be bound by his contract of employment, the Council regarded him as having repudiated his contract of employment, which was, by the letter, terminated. The letter went on to say that, in view of the cost to the Council of providing alternative fire cover (a reference to MOD assistance) the Council might also seek to recover the additional cost of that alternative fire cover from him in damages. The provisional view of your Department's solicitors, who have been consulted on our behalf, is that, on the first point, threatening strike action could constitute a breach of contract; it may be, in view of a fireman's work, that signalling the intention not to be available does constitute a breach. A firm view could only be given in the light of the actual terms of contract. The second point is dependent on the first: provided a breach of contract can be established, the Council is within its rights to sue for damages for the additional costs.

The County Council cannot implement the changes it has decided to make to the arrangements for providing fire cover in West Glamorgan, which has given rise to the dispute, until the application to this effect made under section 19 of the Fire Services Act 1947 has been approved by the Home Secretary. Consideration of the application has begun.

CONFIDENTIAL

The FBU have made soundings through the Chief and Assistant Chief Fire Officers' Association about whether the Home Secretary would be prepared to intervene in the dispute. The Home Secretary is not minded to do so. The danger is that any such intervention could lead to the dispute merely being suspended until the Home Secretary's decision is taken on the section 19 application, and that if he then approves the application, the dispute will resume but as one between the FBU nationally and the Home Secretary.

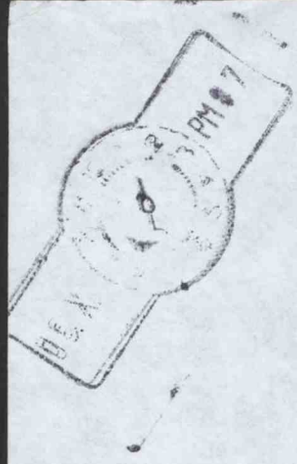
We have been watching for signs of the industrial action spreading. In Mid-Glamorgan the FBU are balloting members today about taking action in the form of responding to emergency calls only. The result is expected in a couple of days; if such action were taken, the fire authority should be able to cope without MOD assistance. There are no reports of FBU action in South Glamorgan.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Wales, Social Services and Northern Ireland, the Minister for Agriculture, Fisheries and Food, the Secretaries of State for the Environment, Energy, Scotland, Trade and Industry and Transport, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the rime Minister.

Yours sincerely,

P J C MAWER

John Turner, Esq.,



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From: THE PRIVATE SECRETARY

CCBG

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

2 October 1987

NBAM

Dear David,

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY FIRE BRIGADES' UNION

WILL REQUEST IF REQUIRED

I am writing further to my letter of 28 September about the possibility of industrial action by the Fire Brigades' Union in West Glamorgan.

The meeting between Council members and the FBU, held on 1 October, did not resolve the difficulties but arrangements have been made for the position to be discussed at a further meeting of Council members on 5 October. The Council intend to respond to the FBU immediately afterwards.

The Council requested from the FBU an unequivocal assurance by 12 noon today that they would take no industrial action which could jeopardise fire cover for West Glamorgan before the Council's response was received on Monday. The FBU did not meet that deadline but have subsequently undertaken not to take any industrial action before 12 noon on 5 October.

The Council has not yet formally asked for assistance. The Secretary of State has made known to the Council his view that there is a clear duty on the fire authority to carry out its statutory obligations to provide fire cover in its area, and that if the Council did not make adequate arrangements he would take such steps as are required to provide the necessary fire cover himself (and to recover the costs).

As you know, military assistance to provide emergency fire cover in West Glamorgan continued today with the movement of the "green goddesses" from Salisbury Plain to RAF St Athan in South Glamorgan. So as to ensure there is no risk of a breakdown of fire cover from 12 noon on 5 October, we have arranged that the "green goddesses" will be deployed earlier that day from St Athan to the Territorial Army bases in West Glamorgan from which they would operate. Our officials have agreed that they will cross the county boundary into West Glamorgan no earlier than 10 a.m. so as to take account of the County Council's concern lest overt preparations within West Glamorgan should prejudice the discussions while they are taking place. We are most grateful to you for your understanding on this point.

Our officials have been in touch about the handling of press enquiries.

CONFIDENTIAL

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Energy, Wales, Social Services and Northern Ireland, the Minister for Agriculture, Fisheries and Food, the Secretaries of State for the Environment, Employment, Scotland, Trade and Industry and Transport, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

Philip Mawer

P J C MAWER

David Ball, Esq.,

From: THE PRIVATE SECRETARY

CONFIDENTIAL

16pm CCBG

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

28 September 1987

Dear David,

**WEST GLAMORGAN FIRE BRIGADE:
POSSIBILITY OF INDUSTRIAL ACTION
BY THE FIRE BRIGADES' UNION**

I am writing further to my letter of 18 September about the possibility of industrial action by the Fire Brigades' Union in West Glamorgan, which has recently received press coverage.

The Fire Brigades' Union voted substantially in favour of industrial action (82.5% of those voting). They have given the West Glamorgan County Council until 5 pm on 2 October to rescind the proposed changes in fire cover. Council members are to meet on the morning of 30 September to consider their next steps. A meeting between the FBU and the Council has been fixed for 1 October. If that meeting does not resolve the difficulties the FBU themselves are expected to meet on or after 2 October to determine a programme of action: this could start directly the 5 pm deadline is reached.

Military assistance to provide emergency fire cover in West Glamorgan began early today with the movement of the "green goddesses" from Steventon in Oxfordshire for training on Salisbury Plain on 29 and 30 September. So far as the deployment of servicemen in the South Wales area itself is concerned, the Home Secretary will review the position on 1 October.

There is a possibility of sympathetic action by Fire Brigades' Union members in Mid-Glamorgan (and possibly South Glamorgan). Firm information is lacking at present, although it seems unlikely that a ballot will be used and the result known before 14 October; the position is being closely watched. Our officials are in touch with yours about the question of any further military assistance.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Energy, Wales, Social

/Services

David Ball, Esq

CONFIDENTIAL

Services and Northern Ireland, the Minister for Agriculture, Fisheries and Food, the Secretaries of State for Environment, Employment, Scotland, Trade and Industry and Transport, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

P J C MAWER

LOCAL GOVT

PAY PTY

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

18 September 1987

Dear David,

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY THE FIRE BRIGADES' UNION

I am writing further to my letter of 14 September about recent developments concerning the possibility of industrial action by the Fire Brigades' Union in West Glamorgan.

The Home Secretary has decided that activation of the contingency plans for military assistance to provide emergency fire cover in West Glamorgan should be deferred for seven days to 28 September. Officials have been in touch to discuss the latest position. The Home Secretary is grateful for your Department's understanding of the reasons for this.

The West Glamorgan County Council approved at their meeting today by 43 votes to 10 the proposed changes in the way fire cover is provided in the area. The Home Secretary had decided that if the Council were to go ahead with their proposals today the contingency plans should proceed with effect from 21 September, short of deployment in the area, the position to be reviewed on 23 September. There is, however, a development which bears on the date on which service assistance will need to be deployed. It is now clear that any official action will not begin until the evening of 2 October. In the circumstances the Home Secretary thinks it right that implementation of the arrangements should be deferred for seven days. Covert preparations will proceed, but there will be no overt preparations, in case these might be thought to affect local attempts to resolve the difficulty.

So far as presentation and handling are concerned, the arrangements outlined in the sixth paragraph of my letter of 10 September can remain in force for the present.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, Northern Ireland, Environment, Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Transport, Social Services and Energy, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

Philip Mawer

P J MAWER

David Ball, Esq.,

CONFIDENTIAL

LOCAL GOVT – LAPay Pt 4

From: THE PRIVATE SECRETARY

CONFIDENTIAL

CABG

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

14 September 1987

NBPM

Dear David,

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY THE FIRE BRIGADES' UNION

at top of file

Thank you for your letter of 14 September in response to mine of 10 September. The Home Secretary is grateful to your Secretary of State for arranging for military assistance to be available to provide emergency fire cover in West Glamorgan from the evening of 18 September. — at flap

Officials have reviewed the position today with the Chief Fire Officer. Local attempts to resolve the position are continuing, but the possibility remains of official action from 24 September if the Council decide at their meeting on 18 September to press ahead with their proposals and if the local branch of the Fire Brigades' Union ballot for a strike. But the Chief Fire Officer now thinks it unlikely that unofficial action will intensify before the result of the ballot is known. In these circumstances, the Home Secretary has decided that contingency plans for military assistance should remain covert for the present. Arrangements to prepare the emergency fire service appliances will continue but they will not be collected (when the fact of military assistance is certain to become known) until 21 September. They will then be available if needed from 24 September.

Officials are writing separately about the financial arrangements under which military assistance is being provided.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, Northern Ireland, Environment, Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Transport, Social Services and Energy, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

Philip Mawer

P J C MAWER

David Ball, Esq.,

CONFIDENTIAL

Local Govt Pay of local Authority
Manual workers PTL4.

cc PG.
nbpm

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2112

MO 19/1E

14th September 1987

Dear Philip,

w. request & req'd.

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY THE FIRE BRIGADES' UNION

Thank you for your letter of 10th September about our Secretaries' of State agreement to set in hand contingency arrangements against the possibility of a strike by the West Glamorgan Fire Brigades Union with effect from Friday 18th September. This has of course been done.

I have shown your letter to Mr Younger, who has asked me to stress two most important factors that need to be cleared up now. First, it is essential for supervisory grades to be available; all our plans are based upon these staff being in place. It is most unlikely, were this not so, that the Army could sustain emergency fire cover.

Secondly, the Home Secretary's decision on when to deploy troops in preparation for fire-fighting duties is needed urgently. As you will know, the troops have been reduced to short notice to move and this is already having a detrimental effect on their training and regimental commitments. Should the Home Secretary wish Servicemen to be prepared for fire-fighting duties on Friday, then a number of personnel will have to move to Steventon later today, so that the Green Goddesses can be collected tomorrow to enable training to take place on Wednesday and Thursday. It is therefore essential to have a clear-cut decision today on whether you require Servicemen to be ready to deploy for fire-fighting duties on 18th September or whether this should be delayed, thus allowing a return to normal duties.

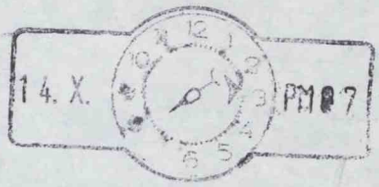
I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Energy, Wales, Social Services, Northern Ireland, Environment, Employment, Scotland, Trade and Industry and Transport, the Minister for Agriculture, Fisheries and Food and to the Attorney General; and to the Private Secretaries to Sir Robert Armstrong and to the Chief Press Secretary to the Prime Minister.

Yours sincerely

David Ball

(D C J BALL)
Private Secretary

P J C Mawer Esq
Home Office



LOCAL GOVT: LA. pay pt 4

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

10 September 1987

Dear David,

WEST GLAMORGAN FIRE BRIGADE: POSSIBILITY OF INDUSTRIAL ACTION BY THE FIRE BRIGADES' UNION

This letter records our discussion on the evening of 9 September, following earlier discussions during the day at official level, about the possibility of industrial action by the Fire Brigades' Union (FBU) in West Glamorgan, and the need to make contingency arrangements to provide fire cover in West Glamorgan from the evening of 18 September. The Home Secretary has decided that it would be prudent to seek military assistance for this purpose and on his behalf I put a formal request to you. You said that your Secretary of State had indicated that he would be willing to authorise this. Home Office officials have been keeping the Cabinet Office Civil Contingencies Unit (CCU) in touch with developments, and on Cabinet Office advice the Home Secretary's request has been put direct to your Secretary of State rather than through the CCU. (Copies of this letter are going to the Departments represented on the CCU).

I mentioned, by way of background, that the fire authority in West Glamorgan (the County Council) is expected to approve at a meeting on Friday, 18 September, proposed changes in the way fire cover is provided, which will involve a reduction of 40 whole-time posts and an increase of 15 retained posts. The County Council has no redundancy policy, and the reduction will be achieved by natural wastage. The change will still enable minimum standards of fire cover to be met. The background to these proposed changes is the review which every fire brigade is making of the categorisation of the standards of fire cover. West Glamorgan has completed its review: the Chief Fire Officer has put forward proposals to the County Council for changes to match the revised categorisation of the area, and there has been wide consultation locally about the proposals, including consultations with the Fire Brigades' Union. The proposals were approved by the Public Protection Committee on 27 August and now await final approval by the full County Council on 18 September.

The Fire Brigades' Union recently held a meeting of their members to seek support for a motion of no confidence in the Chief Fire Officer and his proposals, but the meeting called for a proper ballot. A further meeting will be held on the evening of 14 September, to be addressed by national leaders of the FBU. We had previously understood that this would be followed by the issuing of ballot papers, with the result being announced after the County Council meeting on 18 September. The FBU now proposes, we suspect on legal advice, to carry out the ballot over the period 15-24 September. The timing of any strike action or its form (continuous, or perhaps lightning day-long disruption) is uncertain, but it could start unofficially on the evening of Friday, 18 September, immediately after the County Council meeting in the event of the proposed changes being approved, or officially on Friday, 25 September, when the results of the ballot become known.

CONFIDENTIAL

We are in close touch with the Chief Fire Officer and are watching the position carefully: we cannot say with any certainty how events will develop, nor whether any strike could spread beyond West Glamorgan; but in any event it is unlikely that the Chief Fire Officer would be able to arrange assistance from neighbouring brigades in the provision of fire cover.

One particular point discussed by officials was the question whether supervisory officers in the West Glamorgan brigade, all but two of whom are members of the FBU, would also come out on strike. The view of HM Chief Inspector of Fire Services is that it should be possible for the necessary supervisory cover to be provided. Officials will be in further touch about this.

So far as presentation and handling are concerned, these moves are contingency arrangements to enable emergency fire cover to be available in the event of a sudden strike. The Home Secretary very much hopes the difficulty will be resolved locally, and that it will not necessary to invoke these emergency arrangements. They may nevertheless be regarded as a sensible precaution, so that there is no risk of sudden danger to life and property. For the present, we should like these contingency arrangements to remain CONFIDENTIAL: it would not on balance assist the local resolution of the difficulty it they were to become known, but in the event of premature disclosure we shall be ready to explain them on the lines set out above. (Contingency preparations are under way and we must work on the basis that they may become known). Officials have agreed that, for the present, any enquiries about these contingecy arrangements should be directed to the Home Office Public Relations Branch. Moves which might attract attention include the collection by military personnel of the emergency fire service appliances (Green Goddesses) from the Steventon Depot (near Abingdon) on the morning of 15 September.

The Home Secretary will be closely monitoring the position, and will reassess it on 14 September before authorising the issue of the Green Goddesses.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, Northern Ireland, Environment, Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Transport, Social Services and Energy, the Attorney General, Sir Robert Armstrong and the Chief Press Secretary to the Prime Minister.

Yours sincerely,

P J C MAWER

David Ball, Esq.,

CCBG

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

15 May 1987

NBM.

I have seen John Patten's letter to you of 5 May about the current negotiations within the water industry for the 1987 pay round, together with your reply of 11 May. — will request if req'd

Whilst it is obviously not for me to become involved in the detailed negotiations, I must say that I do sympathise very strongly with your view that there should be no increase in the 5% currently being offered to employees within the water industry.

I am copying this letter to the Prime Minister, Members of E(PSP), Malcolm Rifkind, Tom King and Sir Robert Armstrong.

The Rt Hon J MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

LOCAL GOVT - 4 Pay PK4

CONFIDENTIAL

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

5th May 1987

Minister for Housing, Urban Affairs and Construction

WATER INDUSTRY PAY

As you know, the Water Authority employers have offered a 5% increase in basic rates of pay for both manual workers and craftsmen. The manuals unions agreed to put the offer to their members without a recommendation. The craftsmen's unions did not accept the offer, and in that case negotiations were adjourned until the results of the manuals' consultations were known.

The craftsmen's negotiations resumed on April 27, with both sides knowing that the outcome of the manuals' consultations was rejection of the offer - the vote was 60:40 against in GMBATU, which is the main union concerned and the only one which held a formal ballot. The employers insisted that the 5% offer was final, and could not be increased. A great deal of discussion took place on ways in which the offer could be reshaped without increasing its overall cost, but no deal proved possible. The craftsmen's unions are therefore now considering whether they should ballot their members on industrial action.

The manuals NJC meets again on 6 May. The employers will again insist that the 5% offer is final. I have given strong guidance on this. There is no real prospect of persuading the unions that a reshaped offer at no extra cost would be acceptable. So those negotiations are likely to break down, and the manuals unions to ballot for industrial action as well.

Consultations on the 5% offer took 5 weeks, and it is therefore unlikely that the outcome of any ballot on industrial action will be known before mid-June. It is difficult to predict the likely outcome of the ballots - 5% is still significantly higher than inflation and the 4% offer made to (and rejected by) the NHS ancillaries. It is, however, slightly below the 5.2% increase agreed for gas manuals, and well below the offers made to local authority manuals.

Water staff negotiations start on 14 May. The unions' claim is for an increase of 7.5% or £740, whichever is the greater. Since settlement of the manuals' and craftsmen's claims is so long delayed, there is a risk that the 3 groups of workers will join forces. In an effort to avoid this, the employers will not make any offer on 14 May - instead they will table proposals about re-structuring aimed at their concerns about differentials and the unions' concerns about low pay. They do not expect to make any significant progress on 14 May, and the NJC will meet again around the end of May.

100%

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I will keep you informed of developments - clearly if the unions manage to persuade their members to vote for industrial action the employers may well want to increase their offer. In that event, with privatisation in mind, perhaps we would not want to discourage the employers from making a very small improvement if they are sure that would avoid a strike.

I am copying this letter to the Prime Minister, members of E(PSP), Malcolm Rifkind, Nicholas Edwards, Tom King and Sir Robert Armstrong.

Yours ever, John.

JOHN PATTEN

The Rt Hon John MacGregor OBE MP

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This is 100% recycled paper

CCBG

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

21 August 1986

I have seen your letter of 8 August in response to John MacGregor's of 31 July agreeing to hold a ministerial meeting in early September with the employers representatives to discuss the local authority manual workers pay negotiations. Other commitments permitting I too would be very willing to support you at such a meeting.

Copies of this letter go to the Prime Minister, John MacGregor, members of E(PSP), the Secretaries of State for Scotland and Northern Ireland and to Sir Robert Armstrong.

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

LOCAL GOV

PAY. P54

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

8 August 1986

Dear John

Thank you for your letter of 31 July about the forthcoming negotiations on local authority manuals' pay.

I agree with you that we must do all we can to persuade the employers to reach a moderate settlement, and I would be happy to arrange a similar meeting to that organised by Kenneth Baker in May. While we should not delude ourselves about the amount of influence brought to bear on that occasion - the unions' refusal to consider any increase below 6.7% had as much as anything to do with the fact that no formal offer was made at that point - we must use every means at our disposal to ensure that the employers are left in no doubt of our views.

In view of the holiday period, I hope to arrange the meeting for as early as possible in September, and I note that you would wish to be present if other commitments allow. Perhaps colleagues would let me know if they also wish to attend.

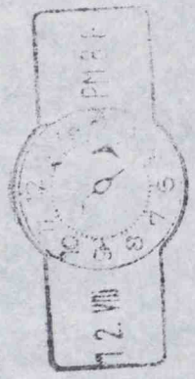
I am copying this letter to the recipients of yours.

Yours ever

Nicholas

NICHOLAS RIDLEY

LOCAL GOVT – Pay. Pt 4



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WRM

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

31 July 1986

Dear Nicholas,

LOCAL AUTHORITY MANUALS PAY NEGOTIATIONS

Negotiations on local authority manuals pay are looming and I understand that the prospects are not good. I gather that the employers have in mind a settlement of around 6 per cent from 1 September with the prospect of more to come in April from a restructuring. This would be almost as bad a start to the pay round as last year's settlement and completely unjustified against the background of an inflation rate of around 2½ per cent.

Given the forthcoming restructuring there is surely no case for an increase in September beyond inflation. Indeed there is an argument for leaving existing rates in place until the restructuring. We must do all we can to put pressure on the employers to reach a more moderate settlement than the one that they appear to have in mind.

In May of last year Kenneth Baker organised a meeting with the manuals employers which William Waldegrave, Kenneth Clarke and I attended, after indications that the employers were preparing to make an offer of around 6 per cent to apply from 1 September. We managed on that occasion to prevent such an offer being made. I hope that in view of these recent developments you would be prepared to organise another meeting with representatives of the manuals employers in time to influence their approach to the 16 September meeting. We

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would need to discuss the exact line that we would take with them nearer the time of the meeting. Survey commitments permitting, I should be very willing to support you at such a meeting.

I am copying this letter to the Prime Minister, members of E(PSP), Malcolm Rifkind, Nicholas Edwards, Tom King, and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

CONFIDENTIAL

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

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

13 September 1985

LOCAL GOVERNMENT PAY - MANUALS' NEGOTIATIONS

Thank you for your letter of 11 September. I agree throughout with the points you made to the local authorities, and I share your concern about the way they are approaching these negotiations. If they go ahead as they intend, the repercussions on the new pay round would indeed be serious. There would also be problems for the current negotiations with the NHS ancillaries and of course the teachers.

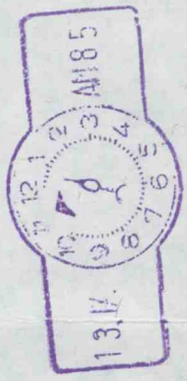
I know you will speak to the employers again before Monday if you judge that might be helpful. The RPI figures being published later today will be helpful. It seems to me that they would be wise, if they are hell-bent on a large settlement, to attribute as big a share of it as possible to restructuring.

I strongly agree that if a high settlement does emerge, responsibility for the consequences, both for local authority services and rates, should be firmly laid at the employers' door.

Finally, as you point out, one of the problems is the fragmented nature of their pay negotiating machinery. Would it be useful to raise this with them at the general pay meeting you have planned for next month?

I have copied this letter as yours.

NIGEL LAWSON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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

NBPT
DRW
13/9

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

11 September 1985

Dear Nigel.

LOCAL GOVERNMENT PAY: MANUALS' NEGOTIATIONS

I have read with concern Kenneth Baker's letter of 11 September confirming the local authority employers' intention to make a large offer to their manual workers. We are in the middle of a period in which the NHS manual unions - largely the same ones as involved in the local authority negotiations - are consulting their members on a 4.7% offer with effect from 1 April 1985. We have reasonable hopes of a satisfactory outcome, but it is a sensitive situation and LACSAB's intended offer will not improve the chances of success. Whatever else may be attempted by way of persuasion, I hope the employers can be reminded in no uncertain terms of the risk of presenting their negotiations as the end of the present round rather than the start of a new round as is in fact the case. I fully support Kenneth's arguments on this point.

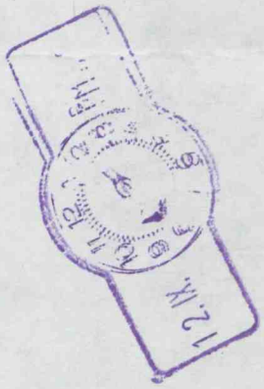
My major concern, however, is in relation to next year and the influence which the intended offer will have on NHS pay. Every argument used by LACSAB to justify their offer can be used in at least equal measure by the NHS unions to seek a comparable offer. Indeed the NHS ancillaries, traditionally linked with local authority manuals, have fallen well behind them in recent times. Nor can we be confident that what is offered to NHS ancillaries can be denied to all other staff groups, including those whose pay is determined by review bodies.

I hope it is not too late to persuade LACSAB to change their position. If such an offer is made, we must do more to limit the damage than emphasise the local authorities' responsibility: we should both distance the Government from the offer and deprecate it.

I am sending copies of this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

Yours ever.

CONFIDENTIAL NORMAN FOWLER.



CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Prime Minister 2
To be aware.
DLS
11/9.

11 September 1985

Dear Chancellor of the Exchequer

LOCAL GOVERNMENT PAY - MANUALS NEGOTIATIONS

Yesterday William Waldegrave and I met Tony Prendergast, the LACSAB Chairman, together with three of his colleagues most directly concerned with the manuals' negotiations to discuss the prospects for local government pay in the forthcoming round generally and the position of the manuals in particular.

I have to tell you that the outlook is most unhappy. The employers clearly have no wish to take the manuals on; indeed, they displayed sympathy with the latters' progressive decline in real earnings, combined with their comparatively low pay. In effect they accept the Unions' case. Member authorities are clearly not prepared to stand firm in the face of what they believe to be a very real threat of industrial action. They believe that expectations have been raised by the general tenor of the negotiations with the teachers, by the underpinning increases included in the award to APT&C staff and in the offer to teachers and by our acceptance of the TSRB recommendations which they consider implies an acceptance of arguments for catching up, comparability and staged awards.

In the light of all this they expect that a settlement with the manuals will require an increase of something approaching £6 per week on all basic rates plus some restructuring to improve further the position of the lowest paid, eg the elimination of the two lowest paid bands. Taken together these two items would increase the pay bill and overall average earnings by about 8.2%; those on the lowest scale would pick up nearer 12%. Moreover, because they believe that long-drawn negotiations would simply lead to higher settlements they appear to be contemplating an opening offer in the range of £5 - £6 per week.

In the discusssion I firmly restated the Government's general position.

First I pointed out what a settlement at the level contemplated would not merely exceed the current rate of inflation; it might be double the rate obtaining at the time of next year's settlement. There could be no justification for increases of this order. The employers said

that they proposed to present the manuals' settlement this year as coming at the end of the last pay round, a tactic which they believed would be to their and our advantage. I pointed out that the facts were against them; whatever they said it would be universally recognised that this was a 1985/6 settlement and it would be a major factor in setting the tone for the whole pay round. But the employers' attitude may betray a worrying willingness to accommodate the known aims of the manual Unions in this respect, even to the extent of further advancing the settlement date.

Secondly, I stated in unequivocal terms that we would neither adjust RSG this year nor make any allowance in next year's settlement for pay increases of this order. This means that the ratepayers will pick up the bill.

Thirdly, I pointed out that the settlement they were contemplating would have serious implications for other settlements, both within local government and throughout the economy and that this could only be bad for jobs and bad for Britain. I specifically said that as local authorities would be strapped for money, they would have to lay more manuals off. This they accepted with astounding equanimity. They believe, however, that the Unions will argue that jobs will be lost in any case and that they will be prepared to see fewer but better paid jobs remaining.

The employers contend that they will secure benefits from the restructuring exercise but they were not convincing on this point. Further, despite their tacit acceptance that the manuals constitute a 'special case' they do not seem to have any clear idea of how they will prevent a high settlement flowing through into the awards of two other local government groups and elsewhere. Their intention is to present the award on the basis of its cash value rather than a percentage figure but as I pointed out to them such arguments have been deployed before with a singular lack of success.

All this is, of course, very bad news, even though we recognised that securing a low settlement for this group in the coming year was not going to be easy. We have now lost our political majority on the negotiating machinery and there are obvious limits to what Tony Prendergast can achieve. With the change in political balance the employers are even more disposed to do something for what they regard as their low paid manual workers, and the fragmented nature of the negotiating machinery for other groups undermines any attempt to favour the manuals by a biased distribution of a more limited cake. The employers accept that the course of action which they are contemplating may well place services at risk and lead to higher rates next year but they are clearly prepared to face these possibilities.

I hope that, following our discussions yesterday, the employers may be persuaded to aim for something less than the £6 per week which they had in mind. I suggested that they should start at £4 or £4.50 a week which would be close to what they settled for this year. But if a settlement at the £6 per week level does emerge we shall need to take every opportunity to emphasise the employers' responsibility for the consequences.

I am sending copies of this letter to the Prime Minister, other members of E(PSP) and Sir Robert Armstrong.

Yours sincerely

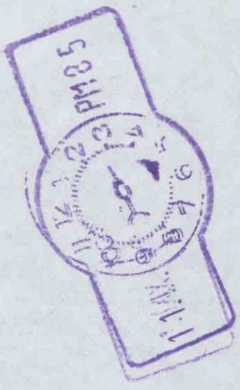
A H Davis

for

KENNETH BAKER

Approved by the Secretary of State and signed in his absence

The Rt Hon Nigel Lawson MP



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NBPM
AT
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Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

20 May 1985

Dear Chancellor,

WATER INDUSTRY STAFF PAY

The employers are due to respond to the unions' claim for a 7% increase, plus some restructuring, on Thursday 23 May.

The Water Authorities' chairmen have authorised their negotiating team, led by Sir Godfrey Taylor, to seek to conclude an agreement with their 30,000 staff within an overall increase not exceeding 5.4% (to include salaries and any other costs arising from improvements in conditions).

Last year, the non-manual workforce in the industry fell by 5.7% and one factor in the employers' argument is that a 5.4% increase is expected to have a negligible effect on next year's pay bill. The settlement at 5.3% for the water industry manual grades is another.

I do not believe that the employers are convinced of the need to seek a final settlement at a significantly lower level and I will speak to Sir Godfrey Taylor to urge him to seek to secure a settlement more in line with our final offer to civil servants. With other public sector non-manual negotiations about to take place, I shall again point to the need to pay sufficient only to motivate staff - the industry has no recruitment problem - and certainly not to settle automatically at the same level as with the manuals' group.

However I am not optimistic that Sir Godfrey Taylor will be convinced and I fear that the increase in the RPI announced last week has reduced the prospects of a lower settlement.

I am copying this to the Prime Minister, members of E(PSP) and Sir Robert Armstrong.

Yours sincerely,

N. Kinghan

(Private Secretary)

CONFIDENTIAL

IAN GOW

The Rt Hon Nigel Lawson MP

20 MAY 1985

CONFIDENTIAL

NBPM

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

5 March 1985

Dear Chancellor of the Exchequer,

WATER INDUSTRY PAY - MANUAL WORKERS

Negotiations on the manuals' pay claim are due to commence on 7 March, when the employers will make their initial response to the unions claim for a substantial but unspecified increase together with shorter hours, longer holidays and other benefits.

The Chairmen of the authorities met recently to decide their tactics and agreed that they would:

- open with an offer of 4.8% on basic rates (worth about 4.6% on average earnings)

- be prepared to enter into discussions on rationalisation of hours between manual and staff grades and on some minor changes in shift allowances

- resist claims for consolidation of bonus payments, paternity leave and other minor benefits claimed by the unions.

In discussion with Water Industry officials my own officials formed a clear view that the employers lack the real determination to secure a low final settlement. You will remember that at my meeting with the Chairmen in January they were already contemplating settlement at or above 5%.

In the circumstances I have spoken personally to John Bellak, who chairs the employers' side in the manuals negotiations. I emphasized again the importance of pay restraint and, the need to maintain the downward trend in the level of settlements. An opening offer on the lines which the employers have in mind would, in my view, be seen as a willingness to settle at a level higher than the 4.9% secured last year. Coupled with other points which might be conceded in negotiations, particularly any concession on bridging the present one hour differential between manual and white collar grades, the eventual cost could be well above 5%. This could have serious consequences for the public sector pay round as a whole and I urged that the employers position should be reconsidered.

Bellak's general line was that there was, in the employers' view, no prospect of settling at a level lower than last year. Tactically they had decided that their opening offer should be a realistic one given both the general trend in settlements as revealed by, eg. the CBI index, and current levels of inflation. The implication is that the employers will not move very far from their opening position, but although some of the key personalities are different this year the fact that they moved from an opening offer of 3.9% to a settlement at 4.9% last year does not inspire confidence in their ability to hold this line.

I left John Bellak in no doubt about the strength of my views on this matter and of the importance which the Government attaches to securing as low a settlement as possible in this and other public sector negotiations. He undertook to report back to me on the outcome of Thursday's meeting.

I am copying this letter to the Prime Minister, members of E(PSP) and Sir Robert Armstrong.

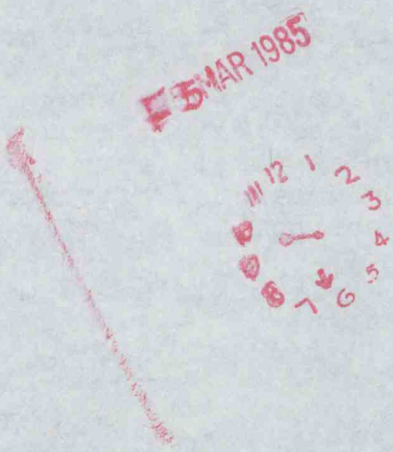
Yours sincerely,

N. Kinghan

RP IAN GOW

(Approved by the Minister and signed in his absence)

The Rt Hon Nigel Lawson MP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MW

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Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

23 July 1984

B/F with PM response dated AT 2317

NBPM AT 2617

Dear Nigel,

see 8/4/84

You will remember that I wrote to you on 30 March about draft objectives for the British Waterways Board which I had agreed with the Board but subject to consultation with the Inland Waterways Amenity Advisory Council.

The Council has endorsed the objectives in general. But it has made some drafting suggestions which I accepted. These related to conservation, provision for the disabled, to extension of the scope of revised canal maintenance standards to cover prospects for use, and to the need to consult the Council in advance where practicable. I enclose a copy of the objectives with these changes inserted in bold type in Objectives 5, 7 and 11.

I now propose to publicise these objectives by means of a Parliamentary Question before the Recess and to place copies in the House Library. We shall then have provided a clear basis for fresh and vigorous action by the new Chairman, Sir Leslie Young.

I have had a useful discussion with Sir Leslie and his colleagues about the direction of the Board's corporate plan based upon these objectives. I am confident that in December he will be able to provide the Department with a full strategic plan, tightly drawn and commercially orientated, with a 10 year horizon and with fully costed options included from early 1985 onwards.

/ I am copying this letter and enclosure to E(NI) colleagues.

Yours ever,

IAN GOW

The Rt Hon Nigel Lawson MP

BRITISH WATERWAYS BOARD
STATEMENT OF OBJECTIVES

OBJECTIVES

General

1. Consistent with its statutory obligations and powers, the Board should, so far as practicable, run its affairs on a commercial basis.

2. In promoting the fullest practicable use of the waterways for leisure, recreation and amenity, and for freight transport where appropriate, the Board should aim (a) to achieve value for money in all its activities including the maintenance of waterways, (b) to secure an adequate rate of return on specific activities and (c) consistently with its other objectives to increase opportunities for private sector participation in the business for example through direct investment, joint ventures, asset sales, contracting out and hiving off. By these means the Board's demands on Exchequer funds should be kept to a minimum.

3. The Board should comply with financial targets and external financing limits set by the Secretary of State and should achieve performance aims, agreed with the Secretary of State, for manpower and other operating costs for each part of the Board's activities. Proposals by the Board for capital investment should be subject to proper investment appraisal as in the Department's guidelines dated 25 May 1983. Those outside the delegated limits agreed from time to time between the Secretary of State and the Board should be submitted for approval. The currently agreed limit for this is £200,000.

Freight

4. That part of the network which is suitable for freight transport should be managed (in addition to the purposes set out below) primarily for the commercial traffic of private operators. The Board's direct freight activities (as distinct from the upkeep of the waterways) should be confined to those which can achieve an adequate rate of return. Those which do not should be sold

or closed down. Opportunities to attract private sector capital for the expansion and development of commercial freight traffic, including the relevant waterways, possibly by means of joint ventures, should be pursued. Maintenance standards should be appropriate to the actual use (including land drainage where necessary), and the prospects of use, of the stretches of each waterway.

Leisure, recreation and amenity

5. The greater part of the network is unlikely to be suitable for freight transport and should be managed imaginatively for the purposes of leisure, recreation, amenity, conservation and land drainage as necessary). Public use and enjoyment of the waterways should be enhanced, including where practicable that of the disabled. Opportunities to expand and develop profitable activities (in conjunction with the private sector where possible) should be pursued in ways which would increase the Board's resources. Charges should be kept under review, with the aim of maximising revenue. Maintenance standards should be appropriate to the actual use (including land drainage where necessary) and the prospects of use, of the various stretches of each waterway.

Land Holdings

6. The Board should define as operational only such land as (a) is essential to the maintenance of the waterways, or (b) must be held by the Board for running its freight, leisure, recreation and amenity activities. Non-operational holdings of land and buildings should be sold freehold to the private sector as soon as this is commercially sensible, or developed with the private sector through profitable joint ventures. The Board should maintain an up to date appraisal of their land holdings and their capital valuation.

Maintenance and Engineering Works

7. The scope and standards of maintenance of particular stretches of waterway should be appropriate to their use, and to prospects for future use. They should be kept under review taking into account the number and

size of vessels using them. The Board should make proposals to the Secretary of State for any desirable changes in the statutory standards and classifications of commercial, cruising and remainder waterways. The Board should contract out maintenance work to the private sector wherever that is cost effective. In the case of waterways which are also "main rivers" for land drainage purposes the Board should seek to co-operate with the relevant authority (the Regional Water Authority in England and Wales) to maintain the waterways as economically as possible. The possibilities of either the Board or the relevant authority undertaking all work subject to reimbursement should be pursued.

Research and Development

8. The Board's research programmes should be geared to its objectives and should be settled annually with the approval of the Secretary of State as required by Section 46 of the Transport Act 1968.

Corporate Plan

9. The Board should develop procedures whereby its objectives and performance are kept under review, the efficiency and effectiveness of its operation are monitored and the results reported to the Secretary of State. This will require the early adoption of a corporate plan, updated annually, for approval by the Secretary of State, the settling of performance aims and indicators, and the further development of performance review and financial monitoring.

Accounts and Audit

10. The Board should adopt management accounting systems compatible with the form of accounts directive, and its businesses as defined in the corporate plan. The auditors, who are appointed by the Secretary of State, will carry out a proportion of value-for money

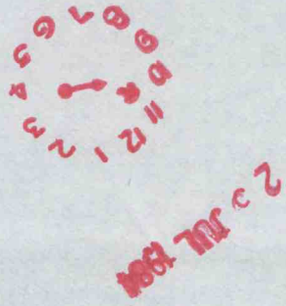
Audit annually, reporting on that and other audit matters to the Board in the first instance.

Relations with Users

11. The Board should consult waterways users and others affected by the Board's activities about their needs and about the Board's policies. On matters affecting leisure recreation and amenity the Board should liaise closely with the Inland Waterways Amenity Advisory Council, making use of the Council's links with user organisations; and, so far as practicable, consulting the Council in advance of decisions upon proposals of significant interest to them.

DOE
JULY 1984

LOCAL GOVT: Lay d CA Manuals
Roy



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CONFIDENTIAL

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

4 July 1984

The Rt. Hon. Patrick Jenkin MP
Secretary of State for the Environment

Dear Patrick

BRITISH WATERWAYS BOARD - PAY NEGOTIATIONS

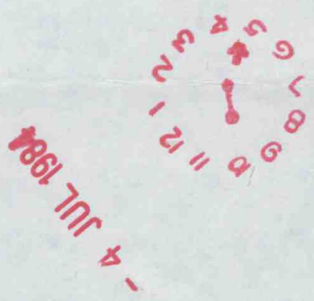
Ian Gow wrote to me on 2 July about the BWB's pay negotiations. I have no objection to the BWB's proposals, but should be grateful to be consulted if they cannot achieve a settlement at 4.5 per cent and propose to go higher.

A copy of this letter goes to the Prime Minister, members of E(PSP) and Sir Robert Armstrong.

Yours ever

NIGEL LAWSON

Pay of L.A. – Local Govt. Pt 4.



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NBPM AF 2/7

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

2 July 1984

Dear Nigel.

BRITISH WATERWAYS BOARD (BWB) - PAY NEGOTIATIONS

The recent pay Monitoring Report, E(PSP)(84)11, gives details of the state of play in pay negotiations for the BWB manuals (c 2,300) and staff (900). The staff unions have rejected an opening offer of 3% in response to their claim of 5.2% plus additional increases for the lower paid and other benefits; no offer has yet been made to the manual workers who have claimed an unquantified but substantial increase and numerous other benefits. It has been made clear to both groups that concessions on hours and holidays will not be made. Negotiations resume on 9 July for the staff and 18 July for the manuals.

As I explained in my letter of 21 March, I spoke to the outgoing and incoming Chairmen and other members of the Board in general terms about pay objectives this year. The Board accepted the need for pay restraint and I reminded the Board of the Government's wish to keep rises below 3%; these discussions took place before settlements had been reached with any relevant public sector groups. I understand that the Board's negotiators are hoping that it will be possible to achieve a settlement around 4.5% at the forthcoming negotiations. If they are unable to do so, they will adjourn the negotiations and let me know their intentions before proceeding further. In present circumstances this seems to me to be a reasonable approach. Subject to your agreement, I shall not therefore express any further views to the Board at this stage.

I would be grateful for any comments you or colleagues may have by close of play on Wednesday 5 July.

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

Yours ever,

IAN GOW

The Rt Hon Nigel Lawson MP

TH

CONFIDENTIAL

CC(84)

NMPT

AT

12/5

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister for Health

Ian Gow Esq MP
Minister for Housing and Construction
Department of the Environment
2 Marsham Street
London SW1P 3EB

15 May 1984

Dear Ian,

WATER MANUAL WORKERS PAY NEGOTIATIONS

You wrote to Nigel Lawson on 11 May about the position following the rejection by ballot of the employers' offer of a two year agreement.

No doubt other colleagues will see possible embarrassments in their field which would attend either a one year settlement at a level significantly above 4.5 per cent or too ready a concession following rejection of an offer. Either would certainly be likely to add to the considerable difficulties which we are in any case likely to have in getting a tolerable settlement with those NHS staff whose pay is not subject to Review Body recommendations.

I entirely agree therefore with your proposal to encourage the employers not to exceed the rejected offer of 4.6 per cent for a one-year settlement.

I am copying this letter as yours.

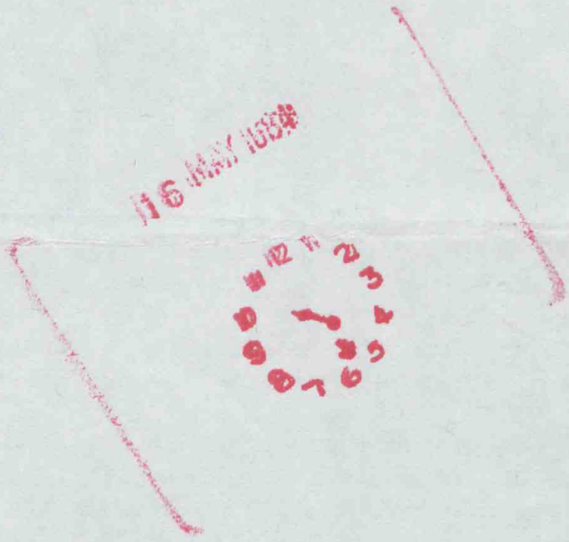
Yours ever,

KENNETH CLARKE

CONFIDENTIAL

Local Govt Pty

Local Authority Pty



4.84 CONFIDENTIAL

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

15 May 1984

The Rt. Hon. Patrick Jenkin MP
Secretary of State for the Environment

Dear Patrick

WATER MANUAL WORKERS: PAY NEGOTIATIONS

Ian Gow wrote to me on 11 May about the outcome of the water manuals' ballot, telling me of the line he proposes to encourage the employers to take when they resume negotiations with the unions tomorrow.

I agree that we should certainly encourage the employers' side to seek a settlement at 4.6 per cent, though I accept that this may prove impossible to secure, given the result of the ballot. We clearly want to avoid industrial action in this area if we can, particularly as the miners may interpret it as a sign of support, and I would not therefore want to press the employers too hard to stick at the present 4.6 per cent figure, if industrial action seemed likely to follow. However, I would very much hope that if the employers do feel obliged to increase their offer, they will nevertheless be able to clinch a settlement at under 5 per cent - say, at 4.9 per cent.

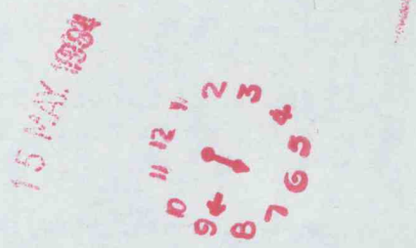
Copies of this letter go to the Prime Minister, to the other members of E(PSP) and to Sir Robert Armstrong.

Yours

NIGEL LAWSON

LOWER GRT. LA Manual Pay

pt 4



Prime Minister (2)

It seems that it was as much the two year element as the amount which was rejected

AT 11/5

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

CONFIDENTIAL

11 May 1984

Dear Chancellor,

WATER MANUAL WORKERS PAY NEGOTIATIONS

The Water Authorities Association was notified by the manual workers unions on 10 May that the 2-year offer which they recommended to their members had been rejected by them, the GMBATU and NUPE votes (representing 92% of the workforce) being decisively against and the TGWU vote in favour. Negotiations are to re-open on 17 May, the day following a meeting of the central Water Employers Policy Committee when the new situation will be reviewed. The negotiations are now likely to focus on an annual deal. Press reports suggest that the unions will be looking for a settlement at around the level of the first year component of the 2-year offer (5% on rates plus consolidation of service supplement, equivalent to about 4.9% on earnings).

So far there have, apparently, been no calls for official or unofficial industrial action. But if the employers stand firm on the annual offer of 4.6% which has been rejected already, the possibility of such action cannot be ruled out. Both sides will have in mind that key factors which influenced the outcome of last year's strike have changed. Not least is the possibility that the manuals negotiations could now overlap those for the white collar staff due to resume on 25 May with the likelihood, in the event of a dispute, of combined action or at least non-co-operation by the supervisors and lower management on whom so much depended last time.

I intend to discuss the situation with Len Hill and John Bellak, the respective chairmen of the employers' policy committee and of the negotiating team, before the policy committee meets. I will encourage them not to exceed the rejected offer of 4.6%.

I would be grateful to have your views and those of colleagues before I meet the water employers next week.

I am copying this to the Prime Minister and other members of E(PSP) and to Sir Robert Armstrong.

Yours sincerely,

Paul Britton

for IAN GOW
(Approved by the Minister and signed in his absence)

The Rt Hon Nigel Lawson MP

Lec NO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

NBPM

AT 214

3 April 1984

Dear Nigel,

WATER MANUALS' PAY NEGOTIATIONS

I am writing to let you know the latest situation in the water industry manual workers' pay negotiations, the background to which I set out in my letter of 8 March.

In negotiations on 12 March the unions rejected an offer of 4% on rates (about 3.8% on average earnings). That remained the position after a further meeting of the NJIC on 20 March during which no formal negotiations took place. There were, however, some informal exploratory discussions. I met representatives of the employers on 22 March, immediately before the main employers' policy committee met to consider next steps.

John Bellak, who chairs the negotiating team, told me that the unions made it clear, in the course of the informal discussions, that they would not be prepared to accept or to put to their members an offer below at least 5%. Exploratory talks on a 2-year deal came to nothing when the unions emphatically indicated that the figures mentioned - 5% on rates plus consolidation of service supplement (a minor item) in 1984 and 4.25% on rates in 1985 (about 4.9% and 4.1% respectively, averaging about 4.5%, on average earnings) - would not satisfy them, the second year increase in particular being too low. They were also worried that because such a deal could not be re-opened they would be prevented from claiming reductions in hours etc next year.

The negotiations are to resume on 9 April. John Bellak did not think there was any possibility of settling at the 4.5% ceiling which had previously been set by the employers' policy committee. In his view at that time a front loaded 2-year deal would ultimately lead to the cheapest settlement over the whole period even though there would have to be some improvement to the terms discussed with the unions. This would have the advantage that the settlement for 1985 would be below the anticipated inflation rate.

I made clear my concern that the negotiators had in the exploratory discussion already exceeded the employers' agreed ceiling of 4.5%, a figure which I in any case considered to be over-generous. I stressed that the employers must have regard to the effect that their offers could have on other ongoing public sector negotiations, in particular those in gas and electricity.

The employers clearly believe that it would be unwise to assume that official industrial action can be ruled out this year, though it would probably be on a selective rather than a national basis and the prospect is still probably some way off. They are in consequence worried that, if their negotiations are unduly prolonged, they will overlap with their staff negotiations, likely to begin in May, and this could result in combined pressures and, in the event of strike action, the alienation of lower management on whom they would have to depend.

The employers' policy committee, which met immediately after my meeting, decided that their negotiations should aim for an annual settlement and it should not exceed 4.6% on rates plus, if necessary the small concession on service supplement (about 4.5% on average earnings overall). However, they can pursue a 2-year deal but only if the unions make the running and the terms which were discussed at the previous meeting are not exceeded. If a settlement cannot be reached they are to try to avoid a breakdown but to adjourn without fixing the date for a further meeting.

A report last week in the Financial Times, presumably leaked by the unions, said that they had emphatically rejected the 2-year offer, and only if there is a complete volte-face by them is this potentially embarrassing offer likely to re-emerge. The prospect is that the negotiations will adjourn with no more than 4.6% on the table. The difficult issue will then arise as to how long the water employers can reasonably defer their negotiations without unduly prejudicing their own position. I have asked the water employers to maintain close liaison with the other industries concerned, and Peter Walker may also wish to encourage this from his end.

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

- 2 APR 1984

IAN GOW

The Rt Hon Nigel Lawson MP

Local Gov
Pay of Manuals
PT 4

CCNO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

NDPM
AT 23/3

Minister for Housing and Construction

21 March 1984

Dear Nigel,

PAY IN THE PUBLIC TRADING SECTOR

In my letter of 23 January about water industry pay negotiations I mentioned that I would be holding over discussion with the Chairman of the British Waterways Board, Sir Frank Price, until it was possible to see his successor, Leslie Young, at the same time.

I have now put to them and their Chief Executive the relevant points from your letter of 9 January. They accepted the continuing need for pay restraint. But their negotiations come at the end of the current pay round and at this stage they were unable to indicate even the likely level of any opening bids. They agreed the need to conduct negotiations on the basis of what the Board can afford and to concentrate upon productivity arrangements which bring real and lasting productivity improvements. I mentioned a maximum figure of 3%.

Much depends upon the steps taken by the Board during negotiations. I shall keep closely in touch with them over these. I was particularly heartened by the attitude of the Chairman designate, who takes over just before the pay settlement dates, and who will be closely involved in negotiations as a current Board member.

I am copying this letter to those to whom I sent copies of my letter of 23 January.

Yours ever,

IAN GOW

The Rt Hon Nigel Lawson MP

Local Govt. Pt 4

Pay of Local Authority

Manual workers

23 MAR 1984

NBPM AT 21/3 CHO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

19 March 1984

Dear Nigel,

PAY IN THE PUBLIC TRADING SECTOR

In my letter of 23 January about water industry pay negotiations I mentioned that I would be holding over discussion with the Chairman of the British Waterways Board, Sir Frank Price, until it was possible to see his successor, Leslie Young, at the same time.

I have now put to them and their Chief Executive the relevant points from your letter of 9 January. They accepted the continuing need for pay restraint. But their negotiations come at the end of the current pay round and at this stage they were unable to indicate even the likely level of any opening bids. They agreed the need to conduct negotiations on the basis of what the Board can afford and to concentrate upon productivity arrangements which bring real and lasting productivity improvements. I mentioned a maximum figure of 3%.

Much depends upon the steps taken by the Board during negotiations. I shall keep closely in touch with them over these. I was particularly heartened by the attitude of the Chairman designate, who takes over just before the pay settlement dates, and who will be closely involved in negotiations as a current Board member.

I am copying this letter to those to whom I sent copies of my letter of 23 January.

IAN GOW

The Rt Hon Nigel Lawson MP

Local Gov
Part of LHA
Manuals
Pt-4

LCNO

NHM

AT 9/3

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

9 March 1984

The Rt. Hon. Patrick Jenkin MP
Secretary of State for the Environment

Dear Secretary of State,

WATER INDUSTRY PAY NEGOTIATIONS

Ian Gow wrote to me on 8 March about the way in which the employers' side is approaching the pay negotiations with the water supply industry manuals.

The negotiating ceiling which the employers have given their negotiating team is obviously higher than we would have liked, but given the offer which has been made to the local authority manuals, no higher than we could have expected. I am grateful that you and Ian have emphasised to the water authorities the need for the lowest possible settlement within the ceiling, and have stressed the effect which these negotiations can have on others in the public trading sector. I am sure you will have pointed out that both the increase in average earnings and in basic rates can have repercussions elsewhere.

I do not have any objection to a 2 year settlement if that is what the negotiations produce. But it is important that such a settlement should show a decline from the first to the second year. I therefore hope that a 'flat' pattern can be avoided, provided of course, that the result is not a first year settlement higher than would otherwise have been the case.

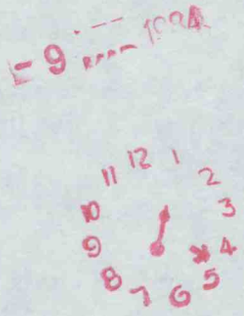
Copies of this letter go to the Prime Minister, the other members of E(PSP) and to Sir Robert Armstrong.

Yours sincerely,
Margaret O'Mara

NIGEL LAWSON
(approved by the Chancellor and signed in his absence)

Local Gov water Pay

Pt 4



CONFIDENTIAL

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

8 March 1984

Dear Nigel,

WATER INDUSTRY PAY NEGOTIATIONS

I wrote to you on 23 January about my meeting with the water employers to discuss their general approach to pay negotiations this year, and you replied on 13 February asking to be kept in touch with their plans.

The Employers' Policy Committee, comprising the chairmen or representatives of all the regional water authorities and representatives of the water companies, met last month and set a ceiling of 4.5% on earnings for the manuals pay increase this year. I understand that, in terms of outturn paybill (taking account of planned manpower reductions), this is equivalent to 2.8%. The negotiators are authorised to offer a two year settlement if this is considered necessary in the last resort to secure a settlement within the ceiling of 4.5% for the first year: the ceiling for the second year would also be 4.5%.

At a meeting of the NJC on 20 February the employers received the unions' claim, which was principally for a substantial increase in all wage rates having regard inter alia to the comparable position with gas and electricity. They also want further progress toward the full consolidation of bonuses. The employers rejected on the spot claims for reductions in hours, additional holidays and lower retirement age.

Since then Patrick has spoken to John Bellak, the new chairman of the Severn Trent Water Authority and also of the manuals employers' side. He emphasised the need for the lowest possible settlement within the ceiling set by the employers' committee and, while recognising the difficulties which this industry has had in recent years securing the agreement of the workforce to offers put to them by their negotiators, he urged him to avoid presenting any offer in such a way that it might prejudice negotiations elsewhere in the public sector. My officials have subsequently drawn the attention of the Water Authorities Association to developments in the negotiations for the local authority manuals and the gas manuals, and have urged that the employers should give full regard to the effect on those negotiations of any decisions they take.

The NJC reconvenes on 12 March, and the employers negotiators will meet that morning to decide on their offer and negotiating

LOWER GOVT. Pay of LA Manuals 1984

CONFIDENTIAL

tactics. It is unlikely that I shall have the opportunity to express any views at that stage, but I am impressed by John Bellak's determination not to give anything away unnecessarily and he will, of course, be constrained by the mandate given him by the employers' committee.

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

- 8 MAR 1984

IAN GOW

The Rt Hon Nigel Lawson MP

CONFIDENTIAL

CC BT

Prime Minister ②

AT 24/2

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

24 February 1984

Dear Nigel,

LOCAL AUTHORITY MANUAL WORKERS PAY NEGOTIATIONS

A flat rate offer of £3.40 on the manual workers' basic rates is being put by the unions (GMBATU, NUPE, TGWU) to their members without a specific recommendation but as being 'the most they are likely to get'. They will each follow their own internal consultative procedures which do not involve formal ballots. It will probably take about 2 or 3 weeks to complete. LACSAB are fairly confident that the offer will be accepted.

The offer gives the lowest paid grades an increase of about 5% and the top grades 4.1% on rates and earnings. This represents an increase on paybill and average earnings of about 4½%. A settlement at this level will be disappointingly high though it is lower than last year (4.87%) and of course below the current rate of inflation.

Our formal position at last autumn's meeting with LACSAB was that we wanted the lowest level possible, certainly below that achieved last year. Since then the chairman of the employers side, Councillor Heneage of the ACC, has been pressing the national employers to take a very firm approach which would reflect the local authorities' financial position.

At this week's negotiating session, the unions, while openly recognising the financial difficulties, were adamant that they would not move below 4½%. With just under 4% already on the table, the employers after some acrimonious discussion took a clear decision to go for a settlement at that level (4½%) rather than risk the potential threats of even higher costs arising from arbitration and/or industrial action; another possibility they feared would be co-ordinated union action now that the start of the teachers' and white collar negotiations is imminent. Also, further delays in a settlement, already almost 4 months overdue, could have brought into play the potentially unhelpful building operatives' arbitration. The results of the most recent survey of local authorities did not, I understand, produce a clear view on how the national employers should proceed, so that in the end the counter-pressure from Councils facing very tough targets was muted and blurred.

In a statement which the employers' side made to the NJC and subsequently issued to the media, to all local authorities and to the l.a. associations (a copy of which I attach),

they have attempted to put a ring fence round this offer and to make it explicit that financing a settlement at this level must either involve lower offers to other local government groups or further cuts in services with the consequent loss of jobs either for manual workers or other groups. Councillor Heneage also made the point very clearly at a Press Conference that the offer was higher than many local authorities could afford and it would lead to loss of jobs, cuts in services, and greater pressures for privatisation (sic).

I understand that it is intended that we should discuss this probable settlement at E(PSP) next week and I have therefore listed below, as a basis for discussion, some points which it seems would help us to put it into perspective for other negotiations which follow:-

(1) This is a low paid group and the form of the offer specifically addresses that problem. If other groups unreasonably wish to relate to this offer, then they should do so on the basis of the cash increase on rates rather than the percentage increase in earnings. If, however, percentages are used, then for workers with base rates of more than £82 per week, 4.1% is the only remotely appropriate point of reference which emerges from these negotiations.

(2) Although numerically the largest group in local government, the manuals' share of total paybill costs is the lowest of the major groups and, at the margin, percentage increases are therefore of less significance in cash terms than for the other groups.

(3) Allied to this point, the manuals have in recent years borne the brunt of job and earnings losses in local government and are likely to continue to do so; their outturn paybill figures have been consistently lower relatively than other groups.

(4) The manuals are most likely to suffer the job losses arising from total overspend on pay for all groups.

(5) The cash increases on base rates are smaller, for example, than those on offer to the gas manuals and the percentage increases are about the same. The gas manuals' settlement appears to have a slightly lower average earnings effect but I am told that there are hidden elements which will increase the paybill costs.

I do not believe we should at this stage volunteer public comment on this offer in a way which could prejudice the unions' consultations. But, if pressed, we could take the line that, although the Government is not involved in these negotiations, the offer seems bound to put most, if not all, local authorities in difficulty; as the employers have said, many may not be able to afford it without job losses and cuts in services unless other local government groups accept compensatory lower settlements. The terms of your October statement, of course, refute the media's insistence that this offer "breaches the Government's 3% pay norm" but I doubt whether we can ever persuade them of that.

It is possible that this offer may persuade the unions for the local government building operatives to withdraw their reference to arbitration and accept ACAS conciliation or even return to negotiations. I should know more about that after LACSAB has met the unions informally later this week.

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

Yours ever

Patrick

PATRICK JENKIN

The Rt Hon Nigel Lawson MP

NATIONAL JOINT COUNCIL FOR LOCAL AUTHORITIES' SERVICES

(MANUAL WORKERS)

MANUAL WORKERS PAY OFFER MADE ON 21ST FEBRUARY 1984

Since October last the National Joint Council for Manual Workers has struggled to find an acceptable settlement of this year's pay claim. The feature of this year's negotiation has been the carefully reasoned arguments in which both Sides have been able to appreciate the other's problems.

The Unions have made a case that the Local Government Manual Workers have settlements over recent years which in the event have placed them in a less favourable position than many other groups. I need not repeat all the points made by Mr Edmonds for the Unions Side at Portsmouth. What I can say is that all of this has been much in the minds of the National Employers and equally with all the authorities with whom they have consulted throughout the negotiations, but there is another major and irremovable element in the equation, namely, the ability to finance any settlement made this year. Whatever views might be held and whatever the cause, it is an irrefutable fact that many authorities have not the money to finance any increase at all. At the level of 3 percent increase to the paybill offered on 23rd January it is known that a further range of authorities will find themselves in financial difficulty. To finance a settlement at this level must then either involve lower offers to other local government groups or further cuts in services with the consequent loss of jobs either for manual workers or for some other groups. Any higher settlement for manual workers simply increases the agony.

This then is the dilemma and there must be a realisation on all sides that there is no solution available to resolve all the problems. Nevertheless it should be on record that both sides have striven to find a settlement which does the best for manual workers' pay whilst at the same time doing the least possible damage to local government services and employment prospects.

It is the wish of the National Employers to move immediately to a settlement and to exercise the utmost goodwill in doing so. As an earnest of this the Employers now make an improved formal offer. This is on the clear understanding that it has been done to reflect the very special circumstances of Manual Workers in Local Government. These same circumstances do not apply to other groups in Local Government, or indeed elsewhere, who would therefore be most unwise to assume that a similar offer could in any way apply to them.

MANUAL WORKERS - NEW OFFER MADE ON 21ST FEBRUARY 1984

The formal offer now made by the National Employers increases the existing basic rates as follows, from an operative date of 4th November 1983 :

GROUP	OLD RATES	NEW RATES	INCREASE	
	£	£	£	%
A	66.90	70.30	3.40	5.0
B	68.00	71.40	3.40	5.0
C	69.80	73.20	3.40	4.9
D	73.10	76.50	3.40	4.6
E	75.70	79.10	3.40	4.5
F	79.00	82.40	3.40	4.3
G	81.85	85.25	3.40	4.1

The above new rates remain as calculators for bonus and overtime payments.

Overall cost on paybill 4.5 percent.

24 JAN 1984

4.22

CONFIDENTIAL

CC NO

NBPM

AT 13/2

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

13 February 1984

Ian Gow Esq MP
Minister for Housing and Construction
Department of the Environment

Dear Ian

You wrote to me on 23 January about the water pay negotiations. I am grateful to you for putting the need for a low pay settlement so firmly to the water authorities' representatives and am pleased to hear that you will be having a similar meeting with the British Waterways Board.

Although the change in the water industry manuals' settlement date has lessened the risk of repercussions on other negotiations and the unions appear less militant than last year, I should still, of course, like to be kept in touch with the authorities' plans.

As you know, it now looks as if the gas industry manuals may settle for an average increase in basic rates of 4.6 per cent and an average increase in earnings a shade below 4.3 per cent. Against this background, I very much agree with you that a settlement worth about 4 per cent on the pay bill, as the water authorities initially had in mind, would be too high. With numbers planned to decline in the industry, 4 or even 3 per cent on the pay bill would imply much higher percentage increases in basic rates and in average earnings. And it is, of course, increases in rates and earnings which we need to watch in relation to other negotiations.

Copies of this letter go to the Prime Minister, to other members of E(PSP) and to Sir Robert Armstrong.

Yours

NIGEL LAWSON

~~Ecan PST Pt 11~~

~~Public Sector Pay~~

CC NO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

Prime Minister (2)

To note X is helpful

AT 23/1

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
SW1P 3AG

23 January 1984

Dear Nigel,

PAY IN THE PUBLIC TRADING SECTOR

As suggested in your letter to Norman Tebbit of 9 January, I have spoken to Len Hill, the Chairman of the Water Authorities Association, and his colleagues most involved in water industry pay negotiations. I put to them the relevant points which you mentioned and the meeting provided an opportunity for them to update me on the negotiations establishing the new pay bargaining machinery in the industry.

This is reasonably satisfactory. New joint negotiating bodies have been agreed for all groups other than the craftsmen, including one which combines the chief officers and senior staff. The national agreements on terms and conditions of service are also effectively agreed for the same groups, though there are some small issues to be finalised. The agreements are generally in line with the proposals to which we agreed after an independent consultant's report. This means that the pay bargaining itself will be carried out centrally but most other items have been decentralised to the water undertakings, and that there is no longer a closed shop agreement nor unilateral access to arbitration.

The water pay negotiations start later in this round than hitherto because of the 16 month settlement following the water strike which moves the manual workers' settlement date from December to 1 April. Details of the unions' claim will not be known until shortly before it is tabled at a meeting of the new NJIC on 20 February. There have been press reports that the claim will be for a substantial increase to maintain living standards, inevitably focussing once again on parity with gas and electricity whose negotiations this year are likely to come first: it will also seek improvements in working

CONFIDENTIAL

time, including hours, holidays and retirement age. The combined employers policy committee does not meet until 14 February to consider its approach to this pay round and to this negotiation so that those present at my meeting could only speculate about what might happen. They thought that the union claim would probably be for an increase of between 8% and 10% though it could be higher. They thought that the employers might be looking for a settlement which added no more than about 4% to their total wagebill costs. I told them that I regarded that as higher than was necessary in view of the likelihood that the unions and workforce would not want another confrontation this year, and of the ability of the industry to recruit without difficulty. I suggested a figure of 3%. The change of settlement date brings the manual and non-manual negotiations closer together in time but, although the employers have noticed that there have recently been signs of a desire for closer co-ordination between NALGO and the manuals unions, they did not seem unduly worried about this at this stage.

I agreed with the view put to me by one employer that it was better for the industry, rather than Government, to take a public initiative to deflate any extravagant expectations of the workforce. The combined employers will decide on 14 February whether they will merely receive the claim without a response on 20 February or will themselves make an initial statement then on their general approach to these negotiations.

In some respects this meeting was too soon to address specific issues but I was able to set the tone for their deliberations next month and to put over the important general considerations. They have confirmed that they will keep me fully informed before making any offers and I shall keep in touch with them.

I have not yet seen the Chairman of the British Waterways Board about his pay negotiations. I consider it would be better to do this when his designated successor is also available next month, especially since I am looking for a change of attitude and approach to these pay negotiations which will not begin until nearer the July settlement dates.

I am copying this to those to whom you sent your letter.

IAN GOW

2F

Econ Pol: Public Sector Pay Pol part 11

LCENO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

(4)

Prime Minister

MES 15/9

Minister for Housing and Construction

CONFIDENTIAL

My Ref: G/PSO/44790/83

14 September 1983

Dear Norman,

FUTURE PAY BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY - THE CLOSED SHOP

I met the water employers' representatives on 12 September and followed the line you advocated in your letter of 8 September. They reaffirmed their intention not to renew the closed shop agreements for their manual and craft groups and they restated the position on balloting which I described in my letter to you of 2 September.

In response to the assurance I gave them that we shall not at any time seek to undermine their position if they choose not to ballot, they told me that they are fully prepared to ride out what they believe could be a very difficult and prolonged reaction by the unions.

There seems little doubt that we shall have to be prepared for the unions to try to implicate us in the employers decisions. I will keep you and colleagues informed.

Copies of this letter go to the Prime Minister, to members of E(PSP) and to Sir Robert Armstrong.

Yours ever,

IAN GOW

CONFIDENTIAL

The Rt Hon Norman Tebbit MP

Tel[redacted]ne
01 - 212 7601

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SW1P 3EB

With the Compliments of the

Private Secretary to the Minister for

Housing and Construction

Chairman:
Len Hill, CBE

Secretary:
Andrew Semple

WATER AUTHORITIES ASSOCIATION

1 Queen Anne's Gate, London SW1H 9BT. Telephone 01-222 8111 Telex: 918518

13th September, 1983

Ian Gow Esq
Minister of State for the Environment
and Minister for Housing & Construction

Dear Minister,

Can I thank you for your patience and understanding at the meeting of Sir William Dugdale, Sir Godfrey Taylor and myself to explain our concern at the probable developments consequent on the Chairmans decision not to entertain a Union Membership Agreement in the Water Industry.

You will be pleased to note that all my colleagues received a report later in the day, they welcomed your assurance that you regarded the issue as one solely for the Employers and had no intention of seeking to influence that decision now or in the future.

The decision was reaffirmed and the TU officers will be informed when we meet later this week.

Yours ever,
Len Hill

Len Hill

RECEIVED IN
14 SEP 1983
PRIVATE OFFICE

Local Govt;
CA Municipals;
Party, Pty

KCNO

CONFIDENTIAL

(2)

Prime Minister

MLS 9/9

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

MG

Ian Gow Esq MP
Minister for Housing
Department of the Environment
2 Marsham Street
LONDON SW1

8 September 1983

Dear Ian.

FUTURE PAY BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY - THE CLOSED SHOP

Thank you for your letter of 2 September. I am glad to see that the employers are united in their opposition to the closed shop. I entirely agree with you that how they handle this is a matter for them and not for us. They are managing the industry and must take responsibility for their own decisions. Moreover, if we were to give them advice about tactics it would make it more difficult for us to refute allegations that we were prompting them.

It would seem to me to follow that we would not subsequently want to try to persuade them to concede a ballot if they had decided that there should not be one. Our position would be that issues on closed shop agreements are essentially for the managements and unions concerned; and that the legislative provisions on closed shop ballots were carefully designed not to be prescriptive. I am rather less pessimistic than the employers appear to be about the likelihood of serious industrial action on this issue.

Copies of this letter go to the Prime Minister, to members of E(PSP), and to Sir Robert Armstrong.

Yours Norman

CONFIDENTIAL

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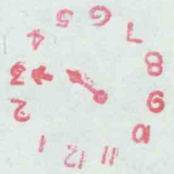

8 SEP 1983

CONFIDENTIAL

CC/NO. dc BI

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

BF

(2)

Prime Minister

Await Mr Tebbit's view?

MLS 2/9

2 September 1983

Ian Norman,

FUTURE PAY BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY - THE CLOSED SHOP

As you know from earlier correspondence, the water employers are opposed to new closed shop agreements for their manual workers and craftsmen when the existing National Negotiating Agreements come to an end on 30 September with the abolition of the National Water Council. We have indicated our support. The employers believe that the unions concerned will treat this as a priority issue and will be disposed to react strongly to a decision not to renew the closed shop. There could be an impasse in the negotiations on future bargaining arrangements and possibly disruptive industrial action.

Whereas the employers are united in their opposition to the closed shop differences have emerged over the tactics they should follow in respect of balloting.

One view is that they should make it clear that they are not prepared in any circumstances to enter into closed shop agreements and will not facilitate the holding of ballots. Their concern is that should 80% of the relevant workforce vote in favour of a closed shop they would in fact, if not in law, be forced to concede one.

The other view is that the minimum vote laid down in the Employment Act 1982 is a formidable target which is unlikely to be achieved. The discussions about new Negotiating Agreements would be easier to handle and the goodwill of the workforce to be retained if the employers were cooperative, should the unions want to ballot. The employers are generally agreed that if they were later forced to concede a ballot under duress, or if the unions were obliged to conduct ballots in the teeth of the employers' resistance, the risk of an outcome unfavourable to the employers would be greater.

CONFIDENTIAL

Representatives of the employers are coming to see me on Monday 12 September, the day before they begin joint discussions with the manu_als' unions on future bargaining arrangements. I understand that the employers will be seeking an assurance from me that if they adopt a resolute approach - making it clear that they will not enter into Closed Shop Agreements, and not cooperate in the holding of ballots - the Government will not intervene at some subsequent stage and tell them to concede on ballots.

I gather that the water employers' desire for an assurance stems from two considerations.

First, they realise that they are the first public sector and possibly the first major employer anywhere to have the opportunity to get rid of the closed shop. They want to get it right. Secondly, they wish to be sure that there are no developments in policy vis a vis the trade unions, or on the wider use of ballots, which would leave them isolated and having to climb down if they take a tough line at the beginning.

If we give them the sort of assurance they are seeking they will probably decide to take a very firm stand. In that case they would either set themselves to ride out any action by the unions, which could be fairly rough and with consequences for the public, or possibly as a fallback they might agree to a ballot only on condition that the statutory minimum voting requirement is raised - which they are entitled to do under the 1983 Code of Practice.

It would be helpful to me in talking to them to have your guidance generally. No-one can be in any doubt that the employers would be perfectly within their rights in refusing closed shops and rejecting ballots. But the matter could very well be seen as a test case if the unions decide to make it a major issue. And given the recent industrial dispute in the water industry it is quite likely that the unions and the media would assume that the Goverment was prompting the employers in any hardline approach.

Subject to your advice, and that of our colleagues, I would like to tell the water employers that having said that we are content with their decision on the closed shop, the handling of negotiations and the question of ballots is a matter for them; but that if the employers should decide to conduct the negotiations on the basis that they are not prepared, in any circumstances, to enter into closed shop agreements, we will support them. If the Government were asked about the negotiations we should make it clear that these were matters for the employers.

I am copying this letter to the Prime Minister, members of E(PSP) and to Sir Robert Armstrong in case they wish to give their views. I would appreciate it if I could have replies by Thursday 8 September.

IAN GOW

The Rt Hon Norman Tebbit MP

2F

CONFIDENTIAL

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

27 July 1983

The Rt. Hon. Patrick Jenkin MP
Secretary of State for the Environment

Dear Patrick

PAY BARGAINING IN THE WATER INDUSTRY

Thank you for your letter of 21 July.

Mr Ramsey has produced a worthwhile study; although, as the Prime Minister has indicated, his conclusions are not the only ones which could be drawn from his analysis. I am sure that the right course now is to proceed as indicated in Mr Scholar's letter of 25 July.

I am copying this letter to the Prime Minister and to Norman Tebbit, Nicholas Edwards, Michael Jopling, and to Sir Robert Armstrong.

Yours ever

NIGEL LAWSON

CONFIDENTIAL

FILE

da

bc FM

10 DOWNING STREET

From the Private Secretary

25 July 1983

Dear John,

Pay Bargaining in the Water Industry

The Prime Minister has seen a copy of your Secretary of State's letter of 21 July to the Chancellor of the Exchequer.

The Prime Minister believes that the Ramsey Report provides an admirable summary of the advantages of decentralisation, but she is not persuaded by its argument that these advantages do not apply in this case because of the peculiar nature of the water industry: most of the reasons adduced by Ramsey, the Prime Minister believes, are not peculiar to the water industry - for example the danger of leapfrogging claims, the alleged ability of unions to pick off the weakest employers, the national character of the unions and so on.

Nevertheless, subject to the views of her colleagues, the Prime Minister is prepared to endorse Ramsey's recommendation that the water employers should acquire a professional negotiating team with a first-class Director-General. But she thinks that the Government should suggest that the employers make it clear to the water unions that the new national bargaining arrangements are for an experimental period of three years and will be renewed only if the unions bargain sensibly. The Prime Minister also thinks that the Government should urge that any water authority which does not want national bargaining arrangements should feel free to opt out at any time.

I am sending copies of this letter to Barnaby Shaw (Department of Employment), Adam Peat (Welsh Office), Robert Lowson (MAFF), Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL

da

CONFIDENTIAL

PA

Prime Minister

MRS 25/7

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Environment
2 Marsham St
LONDON
SW1

25th July 1983

Dear Patrick.

FUTURE BARGAINING IN THE WATER INDUSTRY

You copied to me your letter of 21 July to Nigel Lawson and Bob Ramsey's report.

I find his report persuasive and readily endorse your proposals as to the Government's approach. In particular I agree that the employers should now be allowed to proceed on the basis of their own proposals subject to Ramsey's detailed qualifications; that they should be encouraged not to renew their agreements providing for unilateral access to arbitration and a closed shop; and that they should also be encouraged to improve their negotiating capabilities on the lines he suggests. I am glad to see, by the way, that he strongly advises against using LACSAB as negotiators on an agency basis. I might add that like Bob Ramsey I was concerned that some employers representatives had not been correctly advised about the effects of the 1982 Act in relation to the closed shop. They need to be put right on this and reminded that they would look absurd if they agree limply to a renewal of closed shop arrangements in September 1983 only to be faced with the need of ballots by November 1984.

I am copying this to the Prime Minister, to Nicholas Edwards, Michael Jopling and Sir Robert Armstrong.

Yours Norman

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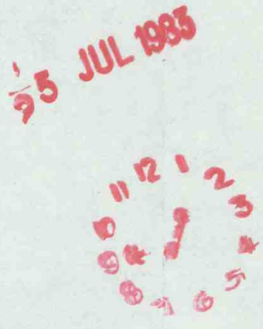
25 JUL 1985

SECRET

POLICY UNIT
22 July 1983

PRIME MINISTER

PAY BARGAINING IN THE WATER INDUSTRY: THE RAMSEY REPORT

Ramsey provides an admirable summary of the advantages of decentralisation, paras 18-25. He then argues that these advantages do not apply here, because of the peculiar nature of the water industry.

Yet, most of the reasons he adduces are not peculiar to the water industry: eg danger of leapfrogging claims, alleged ability of unions to pick off the weakest employers, the national character of the unions, superior competence of the union's vis-a-vis the employers, weakness of employers' will. These factors apply equally in most nationalised industries and many private-sector industries. Yet private-sector employers increasingly opt for decentralisation.

Why do the unions continue to demand national bargaining? Because, Ramsey says (para 40), they have not worked out what is to their advantage. Whereas, we are told, the employers have got it right. Yet we are also told that the unions are basically more professionally competent than the employers. The truth is that every union leader, from Arthur Scargill to Bill Sirs, knows perfectly well that "unity is strength" for him and that regional bargaining tends to fragment his power.

Ramsey rightly doubts (para 48) the ability of the unions to organise a peripatetic national bargaining team touring the regions. Yet he is overly impressed by the ability of the unions to organise national pressure on a single water authority. And he wrongly claims that there was an "absence of pressure" to settle in the recent national strike. Would that there had been.

I think his basic misunderstanding is that weak employers necessarily become stronger by binding together. Whether you take local authorities or newspaper proprietors, experience suggests that weakness added together is weakness multiplied. It is just what the water strike demonstrated.

SECRET

And the water industry is more not less vulnerable to national than to regional strikes. Unfortunately, I do not think we can force the water employers to bargain regionally, if they lack the self-confidence to do so.

The best we can offer, I fear, is:

(i) to endorse Ramsey's recommendation that the water employers get themselves a professional negotiating team with a top-class Director-General;

(ii) to suggest that the employers make it clear to the water unions that the new national bargaining arrangements are for an experimental period of five years and will be renewed only if the unions bargain sensibly and do not make unreasonable demands;

(iii) to urge that any water authority which does not want national bargaining arrangements should feel free to opt out at any time.

FERDINAND MOUNT

PERSONAL AND CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

(1)

Prime Minister

Agree, in the light of Ferdie Mount's minute (flag A), to acquiesce in these proposals, if colleagues agree? On Ferdie's terms MLS 22/7

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

21 July 1983

Dear Nigel,

Following the favourable response by yourself and colleagues to the proposals I made in my letter to you dated 28 June for obtaining a second opinion on the future pay bargaining machinery in the water industry, Bob Ramsey has carried out a study, and he reported to me last Friday. I simplified his terms of reference to facilitate the speedy conclusion of his work. But the revised version is little different in substance from that which I circulated, and it is included in the Report, a copy of which I enclose.

You will recall that Geoffrey Howe proposed that we should get a second opinion before being persuaded that the employers are right in their proposals, at the same time making the valid point that we need to be careful about any attempt to substitute our judgement for theirs when we do not have their close knowledge of the industry. As you will see Ramsey's main recommendation (paragraph 90) is that the employers' proposals provide the maximum degree of decentralisation consistent with no counter-productive consequences.

He recognises the immense advantages to be derived from decentralisation of collective bargaining responsibility to autonomous employers, but he considers that the unique physical and other features of the water industry, the disruptive power they confer on employees, the national character and professional competence of the unions and the relative professional competence of the 39 employers do not make it possible. Indeed he concludes (at paragraph 63) that the adverse consequences are quite unacceptable. He has, I think, addressed most of the industrial arguments which have been made in favour of decentralisation and has in most cases found against them because of the circumstances of this industry.

His judgements are, as we recognised they would be, subjective; but they are derived from his extensive experience and based on interviews with a wide range of people with experience of industrial relations in the water industry or more widely. I think in the circumstances we are less well equipped to question these judgements than we were those of the employers. I believe therefore that we now have no alternative but to allow the employers to proceed on the basis of their own proposals taking account of such qualifications as are made in the Report (eg on the need for a central data bank to assist productivity

bargaining; the retention of separate bargaining for senior officers). We must support the discontinuance of unilateral access to arbitration (paragraph 70) and give maximum encouragement to the employers' to hold firm against the renewal of the closed shop agreement.

If you, and colleagues to whom I am copying this letter, agree with this, I propose to give the employers a copy of the Report so that, in particular, they can give full weight to Ramsey's recommendations for the implementation of the central bargaining machinery to achieve better results in the future. I shall especially emphasise what Ramsey says about the need for a Director-General with the personal qualities and professional expertise which he clearly considers are lacking at present. He strongly advises against using LACSAB as negotiators on an agency basis - and this will, I hope, meet Norman Tebbit's reservations on this point.

Ramsey emphasises the importance of early decision so that the new arrangements can be put into place as close to 30 September as possible. Further unnecessary delay would play into the unions' hands. I would very much appreciate it if I could have your views and those of colleagues by the end of this week if possible so that I can inform the employers before we meet them next week on other business.

I am circulating this letter on a personal and confidential basis because I think it would be unhelpful if the existence of the study and its conclusions leaked out. I would be grateful therefore if you and colleagues would restrict its circulation within your Departments to an essential minimum.

I am copying this to the Prime Minister and to Norman Tebbit, Nicholas Edwards, Michael Jopling and to Sir Robert Armstrong with a numbered copy of the Report.

Yours ever

Patrick

PATRICK JENKIN

The Rt Hon Nigel Lawson MP

PRIVATE AND CONFIDENTIAL

(9) THE PRIME MINISTER

WATER INDUSTRY BARGAINING ARRANGEMENTS

R J RAMSEY CBE

15 July 1983

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WATER INDUSTRY BARGAINING ARRANGEMENTS

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ANNEX I The Employers' Proposals - a paper by the Chairmen's Industry Committee, Working Group on Terms and Conditions Negotiations.

ANNEX II The People Interviewed.

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WATER INDUSTRY BARGAINING ARRANGEMENTS

TERMS OF REFERENCE

1. To consider and advise the Secretary of State for the Environment on the proposals which have been made for the negotiation of the terms and conditions of service in the water industry following the termination of the existing national agreements on 30 September 1983.

The study should give full regard to:

(a) the employers' present proposals including the views of the Water Companies;

(b) the unions' declared positions;

(c) the merits of decentralised negotiations in the circumstances of the water industry as a means of ensuring the optimum responsiveness to local labour markets and local operating conditions;

(d) any other factors relevant to the study.

SETTING THE OBJECTIVE

2. In the broadest terms the future bargaining arrangements must serve the practical needs of the industry and in so doing serve the public interest. The circumstance that all existing national agreements terminate on 30 September provides a unique opportunity to get the new arrangements right.

3. It is tempting to hope that there is an ideal set of principles which will serve this broad objective. Unfortunately this is not the case. All experience confirms that each industry, each public service, each company, have a unique overall pattern of characteristics that shape their needs and which should consequently shape the nature of their arrangements. Inappropriate bargaining machinery usually results from inadequate analysis of needs.

4. At the same time there is one aspect of need which is universal. That is to encourage sustain and maximise the accountability of operating management, matching as closely possible their authority and responsibility for all aspects of operational control.

5. The abolition of the National Water Council, the reconstitution of the Water Authority boards and the abolition of Section 26(2)(3) and (4) of the Water Act 1973 taken together provide a quite new opportunity to strengthen the accountability of the 10 Water Authorities and the 29 Water Companies.

6. The objective of this study must therefore be to correctly analyse the overall pattern of characteristics of the industry and the consequent shaping of its bargaining needs so that the proposed strengthening of management accountability on October 1st can best be met.

THE CURRENT POSITION

7. From October 1st no significant procedural or substantive agreements will exist in the Industry. Individual contracts of employment will ensure continuous entitlement to existing terms and conditions of service both for existing and new employees but no collective obligations will exist on the part of either Employers or Trade Unions. This situation can only be remedied if new procedural and substantive agreements can be agreed and signed by September 30th.

8. It is highly undesirable that an essential public service with its powerful employees represented by well-organised Unions should have to operate for any length of time without appropriate collective agreements. It is particularly undesirable that this should occur because of the failure of the Employers to have tabled comprehensive proposals. If a hiatus occurs, which it probably will under any conceivable proposals tabled by the Employers, then this should be a clear responsibility of the Unions. Hence the urgency to arrive at a decision.

9. The decision to be taken concerns not only procedural arrangements for the future but whether any or all of the existing substantive agreements on terms and conditions of service will be renewed at whatever level in the industry.

10. If a hiatus occurs the Unions will reap the main benefits of having no procedural obligations as they can fail to participate in joint meetings that are necessary to handle day-to-day business while the Employers, as always, will be unable to evade their responsibilities for handling employees and their problems. Nevertheless the majority view of those I have spoken to in the Industry, with which I concur, is that no great disruption will occur if a hiatus develops providing talks on new arrangements are proceeding.

11. Furthermore the Unions will be anxious to agree new arrangements fearing a vacuum in view of their mutual antagonism and struggle for influence. This considerably strengthens the Employers' position in the forthcoming discussions with one important proviso on timing. It would be difficult for the Unions to get their members' passions inflamed over the issue of bargaining arrangements particularly after their loss of earnings in the recent national strike. This would be less so if the discussions start so late that they drag on and so complicate and delay bargaining for the new contract to date from April 1st 1984.

THE EMPLOYERS' PROPOSALS

12. The Employers' full proposal is reproduced in Annex 1 but the main points are as follows:

(a) to retain national agreements covering

(i) manual craft-Task and non-craft broad-banded grading;

(ii) non-manual grading spine;

(iii) manual and non-manual basic rates of pay and salary scales;

(iv) manual and non-manual overtime and shift pay regulations;

(v) major terms and conditions of service including the length of the working week, holiday entitlement, sick leave regulations, superannuation, stand-by/call out regulations and maternity leave provisions.

(b) To decentralise to Employer level agreements covering

(i) the achievement of improved productivity and incentive pay schemes related thereto;

(ii) non-manual job evaluation;

(iii) London weighting;

(iv) new technology;

(v) miscellaneous allowances;

(vi) health and safety;

(vii) severance schemes;

(viii) recruitment, training and promotion;

(ix) facilities for the conduct of Trade Union business;

plus other miscellaneous matters.

(c) To limit the appeals procedure to Employer level for all matters covered by Employer level agreements and for all disciplinary, grievance and disputes appeals.

(d) To retain an appeals procedure to National level for matters covered by National agreements.

(e) To not renew the closed shop agreement at either National or Employer level.

(f) To not renew the provisions for unilateral access to arbitration at either National or Employer level.

(g) To abolish the separate bargaining unit for Senior Staff, transfer Directors, Assistant Directors and Divisional Managers into a common unit with Chief Officers and the remainder of the unit into the non-manual staff unit.

13. There are a few uncertainties in the above summary which need to be recorded for the sake of accuracy.

14. No final decision has been formally taken to let the closed shop lapse.

15. There is a view not yet finally determined that perhaps for an initial period of twelve months the framework rules for productivity schemes (WIPPS) should be enshrined in a national agreement to ease the transition to full decentralisation of productivity bargaining.

16. There are only preliminary views of the resources and committees which would be provided to sustain post-October 1st national bargaining.

THE UNIONS' PROPOSALS

17. The manual non-craft Unions (GMBATU, T&GWU and NUPE), the non-manual Union (NALGO) and the Officers' Side of the Senior Staffs' Council have all proposed the continuation of existing national bargaining arrangements. The non-craft manual Unions have threatened to respond to any decentralisation of former national level bargaining to regional level by retaining a national bargaining team and a national bargaining strategy which would be accomplished by the one team negotiating region by region.

MANAGEMENT ACCOUNTABILITY AND DECENTRALISATION

18. Given the objective of providing maximum support for the strengthening of management accountability from October 1st the main issue to be determined is whether complete decentralisation of bargaining can be achieved and if not, the maximum degree to which it can.

19. Statutorily and in practical terms the ground has been cleared. Formal authority for the determination of terms and conditions of employment will pass from the Council to the Water Authorities and the Water Companies in respect of their own employees. Significant changes to the composition of the Water Authority boards provide them together with the Water Companies with a clear opportunity to be authoritative in exercising firm management control of their activities. That control will be less than complete if it does not include the collective bargaining role.

20. If complete decentralisation of bargaining is attainable the many potential advantages may manifest themselves. First amongst these and most important is the clear pinning of total responsibility on operating management for their economic performance and the consequential unavailability of alibis. That is the best stimulus for improvement.

21. Secondly, pay arrangements may be shaped to suit local operating needs and opportunities. Bargaining strategy can therefore become more pro-active. It can be seen as an opportunity to pursue management required changes rather than to solely react to Union claims and ambitions. In the process it helps to energise a new management awareness of inefficiencies and the possibility of removing hitherto immovable obstacles to change.

22. It provides the best potential opportunity for motivating improved employee performance. Also it promotes employee economic realism by removing the feeling that the money in nationally bargained settlements drops from heaven.

23. It provides the opportunity for more sensitively responding to the labour market in terms of general under- or over-supply and perhaps to local market rates. At the same time it provides a less sharp public focus on settlement levels.

24. It ought, if it is appropriate to the circumstances, to produce a generally lower level of settlements by fragmenting union bargaining - and muscle-power. This is an extremely important consideration when one considers that despite the depths of the recession overall national average earnings are increasing at something near double the current rate of inflation. That average performance across private industry and the public sector finds its way into our export prices either directly or through public charges such as those for water and sewage.

25. The case for decentralisation is therefore clearly established. We now have to proceed to that examination of industry characteristics and consequent shaping of bargaining needs referred to in paragraph 6, to see whether the advantages conferred by decentralisation are available in the circumstances of the Water Industry.

INDUSTRY CHARACTERISTICS - AN ASSESSMENT

26. I have assessed the characteristics of the Water Industry and its consequent bargaining needs under the following headings:

(a) physical features and requirements;

(b) degree of management accountability and independence;

(c) Employer/Trade Union balance of power;

(d) Employer/Trade Union professional competence;

(e) Government views on pay;

(f) the value of provisions in existing agreements;

(g) the ultimate acceptance limits of the parties.

In pursuing my analysis under these headings as follows I discuss where appropriate the respective interests and viewpoints of the parties but have based my conclusions on available facts rather than on the opinions expressed to me.

Physical features and requirements

27. The Water Authorities are basically independent in their arrangements for sewerage. There are significant transfers of water between them amounting to approximately 10% of the total public water supply in England and Wales. So far as the Water Companies are concerned water transfers in some cases are substantial.

28. Interdependence of supply is an inescapable practical limiting factor in determining the scope of bargaining units. Totally interdependent units in any business can only be

sensibly treated as one bargaining unit. Less than total interdependence produces a need for a judgement on the issue.

29. It is my conclusion that the degree of physical interdependence of Water Authorities and Water Companies is insufficient to constitute a bar to decentralisation of bargaining. If this is not true for every single Water Company then they would need to recognise the fact and co-ordinate strategy with those on whom they are dependent.

30. This physical independence is however severely limited in other ways. Water Authority and Water Company areas are determined by river basin and hydrological factors - not by local labour markets or administrative convenience. A survey of their areas of jurisdiction indicates clearly that decentralisation could not lead to local labour market rates even if it were feasible to decentralise to Divisional level which it is not. All Authority areas include rural areas, cities and industrial conurbations. Thames for example includes Cotswold villages and Greater London. North West includes Carlisle and Manchester.

31. The Industry's reservoirs, aquaducts, water and sewage plants and pipelines have few of the characteristics of car plants, coalmines or steelworks. The customers are permanent. They determine the throughput. There are no alternative suppliers or alternative products available. Customers generally cannot stockpile supplies. Units cannot be closed if they are uneconomic (efforts have to be deployed to make them more economic). Public health is at risk on the largest scale. These characteristics place enormous disruptive power in the hands of employees throughout the industry and in each individual Authority and Company. The all important consequences of these inescapable facts will be separately considered later.

Degree of Management accountability and independence

32. It follows from the physical features and requirements that each Water Authority and Water Company is capable of

accepting total accountability within an area determined by topographical rather than administrative considerations and that in fulfilling its accountability armed with the requisite authority its commercial options are constrained only by the very significant factors given above, some of which find expression in legislated obligations regarding supply and public health.

33. Although there are additional inhibitions involved through external financing limits and the Performance Aims programme, in the final analysis the Authorities and Companies have financial freedom because they control charges to the public.

34. There is an additional factor to take into account. Governments are required to take a view on public and private sector pay and thus communicate their views to the Water Employers amongst others. Those views will normally be designed to strongly influence wage offers and settlement levels. To the extent that they suceed they will place a limit on unfettered management autonomy whether exercised by the Industry as a whole or by 39 separate and independent managements.

35. There is one final point that needs to be made. Those physical constraints that limit commercial options produce another effect. It has clearly been conveyed to me that the Water Industry Employers in both Authorities and Companies, while clearly welcoming their greater independence and autonomy, do see themselves as part of a national service performing a vital national task. In consequence they have a sense of responsibility to each other and to the industry as a whole.

Employer/Trade Union balance of power

36. The unique nature of the Industry's product and processes confer enormous disruptive power, not only on its employees in total but also on the employees in individual Water Authorities and Companies. That fact has constrained the past attitudes of Management, Trade Unions and employees. In all three groups there has been fostered a sense of public duty to provide a service and a lack of readiness to engage in confrontation.

37. The recent strike prompts a need and an opportunity for a reassessment by all parties. It has been proved that the nation can cope with an Industry-wide strike in a far better way than could conceivably have been imagined. It was the pipes rather than the plants which caused breakdown of supplies. Nevertheless pipe faults were multiplying. The essential manpower feature that prevented the strike from becoming a catastrophe was the co-operation received from senior staff and non-manual NALGO-member employees.

38. Enormous employee disruptive power was weakened by lack of employee unity in the face of employer unity and ingenuity in keeping the system going. In these conditions a lengthy strike was possible to endure, given the Government support and lack of public or commerical pressure to settle that was displayed.

39. We know therefore that the necessary requisites for maximising Employer power and minimising Trade Union power in a major dispute are

- Employer unity;
- Employee sense of public duty;
- NALGO non-manual members neutrality and Senior Staff active support;
- the support of Government, commercial institutions and the public
- plus maximum pressure on Unions.

40. The issue therefore is whether decentralisation of bargaining will maximise these factors or not. As the Unions are so vociferous in demanding national bargaining it might reasonably be thought that they have carefully worked out what is to their advantage. I am sure that, not for the first time, they have failed to do so. This is probably because they are

more concerned to maintain a national role, which is the only role the purely public sector Unions know, together with understandable personal ambitions to retain power and prominence.

41. It is my considered judgement that decentralised bargaining on major issues likely to provoke major disruption would seriously and unacceptably tilt the balance of power displayed in the recent strike against the Employers for the reasons given below.

42. The Unions know only too well that they are dealing with a uniquely vulnerable monopoly industry possessing the characteristics listed in paragraph 31. They recognise the disruptive power that that confers on their members. If they are forced into decentralised bargaining then they will retain a national bargaining strategy which will be based on targetting the weakest Employer based on a sophisticated calculation of the optimum amalgam of maximum damage to the commercial and private consumer, lack of managerial bargaining competence and consequent lack of Employer will.

43. The Unions will recognise that this strategy will markedly reduce the rate of depletion of union funds and will enable them to, if necessary, levy the remainder of their members still at work. They will simply be able to threaten and undertake lengthy strikes at less cost to themselves while retaining the ability to inflict potentially catastrophic damage.

44. The formidable public pressure thus generated can easily be stepped up by well-planned guerilla action in other areas.

45. Employee members in neighbouring areas who may well be reluctant to strike for parity with Gas and Electricity employees in the light of the recent strike will not be reluctant to strike for parity of basic rates and conditions within the industry.

46. Even if the Employers operating decentralised bargaining were to set up liaison and co-ordinating machinery, which they

would be forced to do, the nationally organised Unions would have been handed the initiative which they would successfully exploit to increase, rather than decrease, the general level of settlements.

47. Local militants exist in the industry, particularly in traditionally militant areas. They would exploit their new-found independence to the detriment of the Employers both within and outside Union National strategy.

48. I doubt the ability of the Unions to sustain the concept of the peripatetic national bargaining team touring the regions. I don't think they need it in order to create havoc which can be organised regionally.

49. Despite firm Government and CBI support and the support of their colleagues in the Industry the will of the targetted employer will be severely tested by the pressures likely to arise from commercial organisations and the public when equal misery is not being shared out across the whole community. The significance of this factor cannot be assessed but it will be related to the degree to which it is believed in the community that industrial action being suffered is related to local management interests rather than the interests of the nation as a whole. The phenomenom occurred in the North-West Water Authority area during a prolonged local strike in Manchester in 1977. External pressures were heavy in sharp contrast to the absence of pressure in the recent strike.

50. There is an obvious risk which also cannot be measured that employees sense of public duty to keep an essential service going would be sapped by a sense of owing loyalty to their colleagues in a local dispute. The risk is greater in traditionally militant areas and might be increased in those areas by NALGO's disappointment at loss of their prized national bargaining arrangements despite their members helpful attitude in the recent strike. This risk might be offset, again to an unmeasurable degree, by the fostering of more local employee loyalty to the employer.

51. In summary all the factors that were in the Employers favour in the recent strike would be materially adversely affected with the possible exception of the sense of public duty of employees not directly involved. This tilting of the power balance sharply in favour of the Unions based on the physical features of the industry are to my mind an inescapable and unacceptable price for complete decentralisation.

52. There are two other consequences that flow from what has been said. The first is that decentralisation would make visible and highlight to employees and their Unions the considerable variations in regional earnings levels that arise from different applications of non-manual grading, from different degrees of tightness or looseness of incentive pay schemes and from the use of overtime not only to fulfil tasks but to regulate earnings levels. This would tend to reduce the scope for such variations and increase the leap-frogging possibilities. This would then increase the severe test of competence that decentralisation would place on the 39 individual Employers.

Employer/Trade Union professional competence

53. It is clear that the Unions, well used to operating nationally in the public sector are well organised and particularly competent in developing their strategy, handling negotiations and coping with public relations needs. It is equally clear without any particular inside knowledge that the Combined Employers have their work cut out to match the Unions competence, a fact to which I shall return later.

54. I have been generally impressed by the quality of the Industry representatives I have met to manage their services. Nevertheless I judge that all of the 10 Water Authorities and 29 Water Companies would have a formidable and indeed impossible task in trying to equip themselves to face concerted local pressures based on a Union national strategy. I believe that in a relatively short space of time they would be forced to combine together in a common Employer strategy that would be

visible, lose any intended benefits of decentralisation, yet be incapable of overcoming the fatal weakness of lack of competence at the bargaining table.

Government views on pay

55. While the new April 1st settlement date will ease some past timing problems the matter of discretion in conveying to the Industry Government views on pay levels is quite crucial. The Unions will always know from long experience that the process goes on but how it is done either encourages or prevents a Union crusade developing. Overt intervention is known to produce a high crusade risk with the probability of a higher than otherwise necessary settlement. It is important that the Employer is seen to be making the negotiating decisions. Both conflicting requirements can be reconciled in a sophisticated manner in a carefully planned set of national negotiations. It is impossible to see how it can be achieved with 39 separate autonomous employers in one industry.

The value of provisions in existing agreements

56. My study of Industry agreements and the explanations I have received from those in the Industry convince me that there are valuable provisions in existing agreements which it is important to preserve. I am particularly thinking of the broad-banded manual grading structure, the craft-task grading structure, the non-manual grading spine and the WIPPS incentive scheme rules. Taken together these form a framework for order in internal relativities combined with substantial local flexibility to respond to a combination of productivity requirements and local labour market conditions. With totally decentralised bargaining, allowing for some Combined Employer liaison, but given the adverse consequences that I have already described, I would expect provisions to start to disintegrate over a relatively short period of time as the Unions get round to the task.

57. On the other hand the access to unilateral arbitration provisions has proved worthless as the Unions have repudiated

the explicit terms of the agreement. Furthermore arbitration on economic matters involves handing over a crucial management decision to a third party. While it may be sound business to do this in an essential public service on the odd occasion, it should only be done as the result of a carefully thought-through freely arrived at management decision to proceed voluntarily and together with Unions one can trust on precise agreed terms of reference. So often the terms of reference which constitute the Mediator's or Arbitrator's mandate are so loosely drawn as to allow him to virtually invent pay policy.

58. The procedural provisions which allow all matters on which failure to agree is registered to proceed ultimately to national level are not helpful. Passing up problems is convenient and sometimes avoids a dispute but it is pernicious in detracting from management accountability and in allowing both management and Unions to pass the buck. There is no greater discipline on both sides than having nowhere else to go. It is tough but it ultimately increases the sense of responsibility of both sides.

59. I cannot personally evaluate the value or otherwise of the closed shop agreement in this Industry. On this particular matter only I must accept the Employers opinion given to me that it is of no help that its absence would reduce future participation in industrial action and that there are no offsetting significant adverse consequences. In these circumstances there is no better time to abandon it than on September 30th when it automatically ceases unless renewed. I was a little disturbed to find that one or two of those I interviewed thought, until disabused of the notion, that under the Employment Acts they were not free as Employers to make their own decision on this matter.

The ultimate acceptance limits of the parties

60. It is a virtually unique position for both Employers and Unions to be facing the termination of all their contractual obligations to each other. Normally both parties to agreements

have too much at stake to risk losing the obligations of the other side enshrined in existing agreements.

The result is that the Water Employers are in a uniquely strong position. The recent strike will discourage fresh industrial action and there will be a lack of employee interest in the to them somewhat esoteric issues under consideration: always providing that discussions don't drift into and interfere with next April's contract negotiations. In this favourable circumstance the Employers should, within reason, be able to call the tune whatever the proposals, providing that they contain the opportunity for employees to properly raise their grievances, and have them dealt with, to be properly consulted and have their economic claims handled in an efficient manner.

61. Having said that there are two major provisos. The first is that the Employers, who will do their utmost to fulfil the wishes expressed to them, must, once launched in discussions, be prepared to stick to their guns in a totally united manner in what will be rough, tough, and publicly disputatious negotiations.

62. The second proviso is that while in the end the Unions will have to take what they can get in terms of new bargaining rights they will, as I have described earlier, devise a strategy to more than redress their position in the event of full decentralisation.

RECOMMENDATIONS

63. It is evident from my analysis that I have reached the conclusion that despite the immense advantages to be derived from decentralisation of collective bargaining responsibility to autonomous Employers, the unique physical and other features of the Water Industry, the disruptive power they confer on employees, the national character and professional competence of the Unions and the relative professional competence of the 39 Employers do not make it possible. The adverse consequences are quite unacceptable.

64. In consequence arrangements must be made that will provide for the maximum degree of decentralisation without attracting adverse consequences. It is my opinion that the Employers proposals have correctly assessed those matters which must remain the subjects of national agreements and national bargaining and those which can be decentralised to local level. I recommend that they are encouraged to enter into discussions with the Unions to achieve that outcome without any significant variation from the proposals as published.

65. The most significant item for full decentralisation is productivity bargaining. I support this proposal but there are three important decisions to be made.

66. The first is whether to retain a central data bank of standard times under the WIPPS scheme which now cover some 80% of manual workload falling within the jurisdiction of that scheme. I recommend that the Employers maintain their central data banks for the information of individual Employers but they must recognise that in fully decentralising productivity bargaining they can no longer have the benefits of Union national recognition of the validity of the data bank.

67. The second matter relating to productivity bargaining concerns the future fate of the WIPPS rules which govern the integrity of the scheme and limit the extent of payments for any given performance. The proposal is to perhaps retain the rules in the next 12 months national basic pay agreement in order to allow for the extension of WIPPS coverage in place of existing loose and unsatisfactory inherited schemes. I don't believe that this is an option as the Unions are unlikely to let the Employers have it both ways. I recommend that the Employers firmly adhere to the WIPPS rules until further notice and that they jointly resolve to do so until they have jointly devised something better. I also recommend however that they recognise that those WIPPS rules cannot in accordance with their proposal be retained in a national agreement but will

have to be insisted upon as a condition of any productivity pay discussions at local level by all 39 Employers separately.

68. Thirdly I also recommend that those Employers who have not achieved conversion of inherited schemes to WIPPS rules should press ahead with the task as the continued existence of loosely-controlled high-paying poor-performance schemes will with decentralisation threaten the progress generally achieved.

69. I support the curtailment of the appeal procedure as proposed as a necessary and important aspect of decentralisation.

70. I regard the discontinuance of unilateral access to arbitration as an absolute necessity for the proper assumption of full managerial responsibility in the Industry. At the same time I would not rule out the possibility of voluntary jointly agreed use of the process under strict terms of reference at some time in the future in a vulnerable industry. I therefore recommend consideration of the possibility of including a clause in future national and local agreements which simply spells out the parties recognition of the possibility of jointly agreed resort to conciliation, mediation or arbitration as an alternative to immediate warfare.

71. I recommend that the Employers come to an immediate firm conclusion on their position regarding the closed shop and that it should be adhered to by all 39 Employers. On the evidence given to me the decision would appear to be not to renew the agreement which will lapse on September 30th.

72. I recommend that the Employers review their proposal to disband the separate bargaining unit for Senior Staff, in order to satisfy themselves that in so doing there is no risk that this will diminish in a future dispute the loyalty to the Employers of those placed as a consequence in the unionised non-manual employees' bargaining unit.

73. I have referred earlier to the question of Employer bargaining competence faced with well organised national Unions backed with formidable member disruptive power. I believe that

in elaborating the post-October 1st arrangements the Employers must tackle this problem with vigour and I make the following recommendations in respect of the bargaining process. They are designed to provide Employer unity, sound pro-active bargaining strategy and an ability to adopt tactics in unexpected and alarming circumstances.

74. The key body developing the bargaining strategy and seeing it through should be a Management Board consisting of all Water Authority Chairmen plus Chairmen representatives of the Water Companies, Land Drainage and Northern Ireland plus say two Chief Executives and two Personnel Officers. This Board should meet as necessary with the Chairmen of all 39 Employers in order to prepare a strategy meeting overall Employer needs, to carry the Employers in unity through the bargaining process and to make all Water Authorities and Water Companies feel fully involved at all times in a process responsive to their needs.

75. The Management Board should be the negotiating team for the non-craft manuals and should provide the teams for the other joint negotiating bodies. They should employ a full-time specialist who under the control of the Chairman of the Management Board and as one of its members should act as the Chief Employers' Spokesman with the Unions. For the purpose of this report I call this Spokesman the Director-General borrowing the term from the Engineering Industry.

76. The Director-General must be tough, highly professionally experienced in dealing with Unions and carry the full confidence of the Management Board and the Industry Chairmen. He must be deeply involved in the determination of strategy and provided with a mandate in good time. With the trust of his Management Board he must be able to probe informally with the Unions the bargaining territory, the no-go areas and the areas worth exploring in the search for peaceful agreement. The Employers' spokesman must have the personal qualities to gain the support both of his Employers and the Unions with whom he does combat. He must be able to mix formality and informality in bargaining.

77. The Management Board with the Director-General must arrange a programme of liaison at Ministerial level and with

departmental officials so that Government views may be conveyed privately in good time and contact be maintained.

78. Reserve plans must be prepared in advance for setbacks in the bargaining process - all eventualities must be foreseen and planned for.

79. Valuable views from specialist groups such as meetings of all Chief Executives or all Personnel Officers should be fed through to the Management Board via Chairmen. They should not in themselves constitute alternative channels for the development of strategy or tactics.

80. The Director-General should be capable of handling public relations interviews as well as negotiations at the bargaining table. Public statements should be in accord with bargaining positions and only made when they are productive - planned by the Management Board and not precipitated by the media.

81. The Director-General's job is to preserve the Employers Chairmen as the ultimate long-stop - rarely used, only in an emergency and not in such a way as to usurp the Director-General's role.

82. Care should be taken to minimise forward commitments or working parties which may create expectations.

83. No item of expenditure must be capable of being negotiated upon at both national and Employer level.

84. The practicalities should be examined of requiring an agreed freeze on economic claims during the period of the annual agreement.

85. The relative costs of acquiring external data on wage settlements, new legislation etc through a Water Industry central staff or through LACSAB should be examined as a potential area of cost-saving. This is an "information only" proposal, not to be confused with a proposition that LACSAB should act as a negotiating agent for the Water Industry, a proposition which I reject as being totally inconsistent with the concept of Water Industry employers responsibility for collective bargaining.

86. Work should be put in hand immediately and prior to opening negotiations to draft the terms of the proposed new national procedural and substantive agreements and a model set of Employer level procedural and substantive agreements to reflect the decentralisation proposals.

87. The Management Board should require the Director-General to provide an economical high calibre central advice service to Water Authorities and Companies to assist them in coping with the new responsibilities which will fall upon them as a result of the proposed increased measure of decentralisation. I feel certain that this back up will be required to maximise the opportunities that will be presented and to avoid disasters.

88. Finally, as soon as the new arrangements have been installed, the Management Board together with the Industry Chairmen should take a wide-ranging look at opportunities in the Industry for improved operating effectiveness on the basis that there must be a better way of doing everything. They should in particular review managerial and supervisory competence and satisfy themselves that their approach to productivity pay is an aid to good pro-active management and not a substitute for it.

SUMMARY OF CONCLUSIONS

89. Full decentralisation of bargaining on all terms and conditions of service would best meet the need for full management accountability under the new arrangements in the Water Industry that will apply from October 1st 1983. Unfortunately this cannot be attained because the unique vulnerability of the Industry to disruption makes it impossible to achieve the potential benefits of full decentralisation and would in fact produce the contrary effect of increasing Union disruptive power and raising the level of settlements with no greater responsiveness of earnings to local labour market conditions.

90. The Employers proposals are therefore recommended as providing the maximum degree of decentralisation consistent with no counter-productive adverse consequences.

91. It is extremely unlikely that the Unions will be able to organise disruptive action in connection with the early introduction of the Employers' proposals even though they will oppose violently the discontinuation of the closed shop and unilateral access to arbitration and the curtailing of most appeals machinery to Employer level.

92. It is extremely important to maximise Employer competence both in bargaining strategy and tactics faced as they are by strong, nationally organised and competent Unions. A number of recommendations are accordingly made for this purpose and in particular to ensure that the 39 separate Employer bodies feel part of a national negotiating process responsive to their needs.

93. I am convinced that the proposals recommended are the best way of promoting the practical needs of the industry and the public interest.

CHAIRMEN'S INDUSTRY COMMITTEE

WORKING GROUP ON TERMS AND CONDITIONS NEGOTIATIONS

1 Termination of Existing Negotiating Machinery and Agreements

i) The Government's consultative paper on the Abolition of the National Water Council contains, at paragraph 22, the following statement on the future of the Industry's negotiating arrangements:

"..... Bargaining machinery established under Section 26(2) of the (Water) Act (1973) will, however, cease to exist on the day appointed by the Secretary of State for the Council's functions to cease (expected to be 30 September 1983) and the collective agreements will cease to operate on that date".

It goes on to say, in paragraph 23, in respect of arrangements which will follow:

"The Water Authorities and Companies will become solely responsible for the pay and conditions of employment of their own employees. It will be for these bodies individually and/or collectively, to give early consideration to what future arrangements are appropriate in place of the existing machinery and agreements, for the determination of terms and conditions of employment. This should be in consultation, as necessary, with the employees and unions concerned".

ii) Arguments have been advanced (eg Paper 70672/2 to Combined Employers 26 January 1983) that it is necessary to give notice to the unions to bring the agreements to an end at 30th September 1983. This is judged not to be so. If the Bill will bring the negotiating arrangements and agreements to an end it will do this without the service of notice.

iii) Given that there is no legal need to give notice it is also thought to be better tactically not to give notice but to invite the unions to join with employers in dealing with a situation imposed by a third party (Parliament).

iv) During March letters should go from the Chairmen's Industry Committee inviting the unions to join in discussions about future arrangements for determining pay and conditions of service.

2 National/Regional/Local Determination of Pay and Conditions

i) Our view is that fragmented pay bargaining would not be in the interests of individual employers or the industry as a whole. The dangers, such as leapfrogging and concerted pressure on one employer, are seen to outweigh any advantage which local bargaining would bring through responsiveness to local situations. We recognise that views on this are probably changing almost daily during the current pay negotiations.

ii) On the basis that at least pay bargaining should be conducted centrally it seems sensible to include in such negotiating arrangements all

pay items such as hours of work; overtime; shift, standby and call-out allowances etc. Other basic conditions such as hours of work, leave and sickness are so closely linked with pay that they should be negotiated centrally.

iii) Because the Manual Broadbanding Structure and the Craft Task Structure are valuable arrangements they should be retained as part of the national conditions. Grading of staff jobs should be locally determined within national salary scales.

iv) Although there is a definite link with pay we identify productivity as a local matter which goes to the root of the efficient management of individual undertakings. Future arrangements and negotiations should therefore be conducted on a local basis. However, impetus in improving productivity through the introduction of WIPPS might be lost if interim arrangements were not made. Accordingly the initial pay agreement should include WIPPS "unless and until superseded by any local agreement".

[A majority view amongst Personnel Officers was that because productivity pay forms such a large part of remuneration they would favour the continuation of national determination of policy but subject to periodic review.]

v) Other matters can be determined locally and a provisional allocation of elements of the agreements is set out in Appendix I.

vi) We understand that the Water Companies' Association have no present objection to the allocation of the functions shown in Appendix I.

However, the Association is firmly of the view that the individual Water Companies, if national negotiations are ultimately agreed, would have no desire to be part of any regional joint negotiations as at present. Their view is that all matters remitted downwards from a national body for "regional/local" negotiations must be dealt with by the Regional Water Authorities on the one hand and by the individual Companies in the Region on the other.

3 The Closed Shop

i) This subject is considered under a separate heading because of its importance and topicality. One possibility is not to have union Membership Agreements with the manual and craft unions and views on this have been conditioned, by experience during the strike.

ii) If it is decided not to have UMAs, and earlier action has not already been taken, the statutory ending of the national agreements presents the ideal opportunity because we are relieved of the need to take the initiative by giving notice.

iii) If the employers should after all decide that they are willing to have UMAs it needs to be noted that for the purposes of the Employment Act 1980 they would be interpreted to be new agreements. The effect of this would be to require the new initiating ballot with 80% of those entitled to vote voting in favour. Otherwise employers could be liable to consequential unfair dismissal claims. The unions might well take the view

that they are not new agreements and therefore only come to the voting question in November 1984 (the present date set by which existing agreements must be voted on to give protection against unfair dismissal). All this would only be tested in unfair dismissal cases and the employers are entitled to make their own judgement on the issue.

iv) If employers were to agree to new UMAs we should certainly look at least for more definite statements of the safeguards for public health and public safety and probably for secret ballots for strikes.

v) Decisions on UMAs should be taken and negotiated nationally.

[A minority of Personnel Officers would advise local determination on the question of UMAs in view of varying regional union attitudes on health and safety cover during the strike.]

4 Disputes and Appeals

i) There will need to be a facility for dealing at national level with disputes and appeals about matters in the national agreements. Other issues should be settled locally; certainly disciplinary matters should not be heard nationally and grading appeals should also not be taken to that level.

5 National Negotiating Groups

i) Although we would prefer to see less negotiating groups we recognise the practical limitations. The Craft unions would not join with the manual unions in one negotiating group and the industry is not at the point where any merger of manual and staff groups could or should be considered. Accordingly, the only change we recommend is to abolish the JNC and merge it into the Chief Officer and NJC groups.

[Some Personnel Officers thought that it was defeatist not to try to achieve some merging of Craft and Manual negotiations and that the attempt should therefore be made. Others stressed the advantages) of keeping the craft groups separate.]

ii) The negotiating machinery is recommended to be as follows:

Joint Committee for Chief Officers and Senior Staff

Within the scope of this joint Committee would be Chief Executives, Directors, Assistant Directors (or their equivalent) and Divisional Managers (or their equivalent).

Joint Committee for Non Manual Staff

All other non-manual staff.

Joint Committee for Craftsmen

All craft manual workers.

Joint Committee for Manual Staff

All non-craft manual workers.

iii) We have taken a preliminary view on the composition of the employer's side of the negotiating bodies. There should continue to be an Employers Policy Committee probably with membership comprising four Chairmen, four Chief Executives and two Personnel Officers

(each representing and carrying the vote of his Authority) together with two representatives of the Water Companies Association, one from the Association of Drainage Authorities and one from Northern Ireland.

iv) The negotiating teams for the individual negotiating bodies should as now, be drawn from this Committee and the union should be encouraged to agree to reduced membership on the union sides.

6 Administration and Information

In the time available we have not been able to determine the administrative, advisory and statistical requirements to support the proposed arrangements. However, we are certain that, for example, greater devolution of the determination of conditions of service will demand close co-ordination between personnel staff and the discontinuance of joint Health and Safety Committees at national level would leave the need for similar work amongst employers, perhaps co-ordinated from one Water Authority. More work is needed on these issues.

7 Action

The Committee is recommended to authorise that:

i) the Chairman of the Working Group write to the unions during March to invite them to join in discussions about future arrangements for determining pay and conditions of service.

ii) the Working Group commence discussions and negotiations with the unions on behalf of the industry to establish new arrangements to operate from 1st October 1983.

iii) the Water Companies' Association be invited to nominate a representative to join the Working Group.

iv) the Working Group arrange further consultation with employers and specialist staff about features of the present agreements which ought to be reviewed.

v) the Working Group consider and advise on the administrative and information requirements to support the proposed arrangements.

CHAIRMEN'S INDUSTRY COMMITTEE

NATIONAL NEGOTIATIONS ON TERMS AND CONDITIONS OF SERVICE

WORKING GROUP MEETING

PROVISIONAL ALLOCATIONS OF FUNCTIONS

	Function		Provisional Allocation
1	Settlement of National pay/salary rates		National
2	Hours of Work		National
3	Overtime		National
4	Car Allowances		Regional
5	Subsistence		Regional
6	Sick Leave		National
7	Holidays		National
8	Productivity		Regional
9	Maternity Leave		National
10	U.M.A		National (If agreed)
11	Health and Safety		Regional - (but national Management Co-ord arrangement)
12	Job Evaluation	Manual Non-Manual	National - (ie Broadbanding) Regional
13	London Weighting		Regional
14	Disturbance etc		Regional
15	Severance Schemes		Regional
16	Grievance Discipline Disputes		*Regional - Except for interpretation of National Conditions
17	Post Entry Training		Regional
18	Time off for Trade Union Duties		Regional
19	Apprentices		Regional
20	New Technology		Regional
21	Recruitment/Promotion		Regional

Function		Provisional Allocation
22	Home Telephones	Regional
23	Superannuation	National
24	Periods of Notice	Regional
25	Displacement of Employees	Regional
26	Indemnification against risk	Regional
27	Standby/Call Out	National
28	First Aid	Regional
29	Discrimination	Regional
30	College Based Students	Regional
31	Part Time Employees	Regional
32	Payment of Wages Deduction of TU Subs	Regional - (If agreed)

THE PEOPLE INTERVIEWED

Sir Terence Beckett	Director-General, CBI
Mr M Bett	Board member (Personnel), British Telecom
Mr J Boon	Chairman, Water Companies Association
Mr J M Y Dickens	Director Manpower Services, National Water Council
Mr H G Dormer	Assistant Secretary, LG3, DOE
Sir William Dugdale	Chairman, NWC and Severn Trent WA
Mr G Edwards	Chairman, Thames WA
Mr J Esling	Manager, manpower, Thames WA
Mr G Fisher	Personnel Manager, Severn Trent WA
Mr J A L Gunn	Under Secretary, (Water Directorate), DOE
Mr L Hill	Chairman, South West WA
Mr J P Lowry	Chairman, ACAS
Mr G Mann	Chairman, North West WA
Mr B Rigby	Deputy Director-General, CBI
Mr B Rusbridge	Secretary, Local Authority Conditions of Service Advisory Board
Mr D B Smith	Deputy Secretary. (Industrial Relations), DEmp
Sir Godfrey Taylor	Chairman, Southern WA
Mr F Thorpe	Personnel Director, North West WA
Mr B R Thorpe	Chief Executive, Southern WA

ACTION

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CCU(83) 33 COPY NO 1

21 July 1983

CABINET

CIVIL CONTINGENCIES UNIT

LESSONS OF THE WATER WORKERS' STRIKE JAN/FEB 1983

Note by Officials

INTRODUCTION

1. The first ever national water workers' strike began at midnight on 23 January and lasted 4½ weeks. It had been preceeded by a one-day national strike on 18 October 1982. The strike involved water industry manual workers in England, Wales and Northern Ireland. About 50 per cent of craftsmen were involved most of the time, either on strike or declining to cross picket lines. Craftsmen were officially called out on strike on 20 February. By the end of the strike some 91,000 properties (less than 0.5 per cent of all properties normally supplied) were without piped water and some 8 million people were advised to boil drinking water as a precaution. Manual workers and craftsmen both returned to work when the strike was called off on 24 February. The strike did not affect Scotland although at some stages it seemed that it might. At annex is a chronological sequence of events during the strike period.

2. The purpose of this report is to highlight those aspects of the strike from which the Civil Contingencies Unit (CCU) might draw lessons for the future. The contents have been compiled from departmental contributions and are confined to matters of direct CCU interest. A number of non-CCU aspects of the dispute, eg the handling of pay negotiations, water industry publicity and a re-assessment of likely endurance in the event of a future strike have been considered separately.

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Wise Men Consultations

3. It was proposed that these consultations should be initiated at Water Authority/Chief Constable/Army District Commander level on 3 December in order to get them completed well before Christmas. However there were delicate negotiations in progress involving ACAS and both sides in the water industry. There had already been press reports about the pressures it was alleged the Government were bringing to bear on the employers as to the level of pay offer to be made. Union members were being consulted on whether to take all-out strike action. To avoid the risk of wise men consultations becoming known and further complicating the delicate negotiations they were not authorised to begin until 20 December. They were not complete before Christmas but in practice they were completed well before the strike began. No evidence has been produced to indicate that the fact that these consultations were being held leaked out. It is tempting therefore to argue that, in future, wise men consultations should not be delayed for the reasons they were on this occasion. However opinions on this matter differed widely and on balance it would appear to be unwise to reach a firm conclusion about the timing of wise men consultations on the experience of this strike. The CCU will invariably need to weigh the case for having such consultations early, to facilitate the detailed planning that will always be needed at the lower levels, against the case to leave them until the last possible moment if there is any risk of prejudicing the peaceful settlement of a dispute should news of the consultations leak out. This can be done sensibly only in the light of circumstances at the time which highlights the need for full and accurate briefing of Ministers and officials attending the CCU meeting at which the timing of wise men consultations is to be discussed.

4. Because the risk of leakage was thought to be greater, consultations at the lower (divisional) levels were not authorised until the last possible minute, on 17 January. Even though the service plans had been reviewed in mid-1982 a number of changes were, perhaps unsurprisingly, found to be necessary. Although service assistance was not requested and therefore the plans made were not put to the test, the fact that consultations were held countrywide at divisional level should prove helpful during the further review of detailed plans that will now take place.

Amongst items which will require particular attention are; service trades and numbers required; likely availability of water authority vehicles and equipment and the provision of maps showing the location of water authority installations and routes to them.

Service Training

5. Training of servicemen in advance of their deployment to the installation to which they are allocated presents a problem. The constant rotation of service units and personnel makes such training simply impracticable. The fairly sophisticated training package prepared by the Anglian Water Authority has proved to be of value to those units earmarked for deployment to that area and other water authorities should be encouraged to produce similar packages. Bilateral contacts between water authorities and the services at the most senior levels are already encouraged and aid the smooth progress of wise men consultations.

Service Notice

6. The flexibility in determining service notice - particularly at weekends, was most welcome to the MOD. It would have been more convenient if decisions on weekend notice could have been taken on Thursday afternoon rather than on Friday morning but other factors had to be taken into account when arranging Ministerial level CCU meetings. Experience of this first national strike in the water industry should permit plans to be reviewed to achieve a greater degree of flexibility and thus allow a less onerous degree of notice - especially for Mobile Emergency Repair Teams and Construction Groups, to be imposed in the future. It is highly undesirable to keep a limited number of servicemen at 6 hours or less notice to move, for a relatively long period, particularly when they were never in the event deployed to a task. It is also for consideration whether authority to vary service notice might with advantage be delegated by the Unit to the Ministers most directly involved after consultations with each other - the Secretariat being responsible for informing other Ministerial members if there was no meeting of the Unit likely within a reasonable time.

7. Arrangements will be made to review these plans in the light of experience, albeit limited, acquired during this strike. Although service assistance was not requested and the degree of disruption after $4\frac{1}{2}$ weeks of strike action was not particularly onerous it would be imprudent to assume that in any future strike

there would be no requirement for service assistance. The review will give interested parties the opportunity to discuss the matters raised in paragraphs 4 to 6 above and to ensuring that the successors to plans KEELMAN/FOOTWAY allow greater flexibility in application and provide an up to date basis for effective lower level planning.

WATER RELAYING EQUIPMENT

8. The potential uses to which water relaying equipment held in Home Office stores in England and Wales for civil defence and emergency firefighting purposes might be put had not been incorporated into concingency plans although account had been taken of the possible use of similar equipment in Scotland. However ad hoc planning, carried out by the CCU at official level soon after the strike began, resulted in a number of bids for allocation of this equipment, mainly for water storage or acquisition from alternative sources. The Home Office agreed to check the condition of the equipment which was not maintained in as high a state of readiness as other items of emergency fire service equipment. In the event bids never exceeded the equipment available; only the prison service, forensic science service and Government Communications Headquarters drew items from Home Office stores. Serviceability checks revealed a number of problems that might otherwise not have been appreciated. It was decided that Green Goddess fire appliances, useful for their pumping rather than water carrying capabilities, should not be issued without specific Ministerial authority. This recognised their association in the public mind with service assistance during earlier firemen's strikes and the need during the water strike to keep service preparations as discreet as possible - Green Goddesses would have required service drivers and crewmen. The implications of providing service manpower for this additional task concurrently with readiness to assist in maintaining essential water supplies and sewage services were not examined in detail, but the provision of specialists could be a problem and it is likely that only a limited number of Green Goddesses could, in these circumstances, be manned by the services. The possibility of providing non-service drivers and crews for the Green Goddesses did not need to be considered on this occasion.

9. Water relaying equipment is also available in Scotland - under control of the Scottish Home and Health Department, and in Northern Ireland under the control of the Northern Ireland Office. It was estimated that stocks were sufficient to to meet any demand that might have arisen in these areas of the United Kingdom.

10. A number of water tankers held under MAFF control would, it is anticipated, be used for agricultural purposes during any future strike and it is unlikely that they would be available for use elsewhere.

11. It is considered that a specific contingency plan to cover utilisation of water relaying equipment, if in any future emergency the best endeavours of the water authorities did not succeed in maintaining services, is unnecessary. This equipment is provided specifically for the purposes stated in paragraph 8 above and therefore its availability would be subject to the restraints of policy governing such equipment, eg it may not all be at a high state of readiness and some or all may be disposed of if it proved to be no longer required or suitable for its main purpose. However the Home Office, Scottish Home and Health Department and Northern Ireland Offices should be invited to maintain details of available equipment and its location so that they could if necessary be presented quickly to the CCU. It is considered impracticable to establish a list of relative priorities until the actual circumstances of use are clear. A summary of the type of equipment available is already in Chapter V of Section II of the Cabinet Office Civil Emergencies Book (COCEB).

12. It is also for consideration whether the scale of charges for use of the equipment, which were selected by the Home Office, were reasonable. On this occasion the charges were on the basis of full costs in accordance with Treasury instructions that repayment services between Exchequer Departments should normally be so charged. The principle of "extra costs", the basis on which Departments reimburse the MOD for service assistance in the event of civil emergencies under the MACM scheme might be considered as a fairer basis of charging in future and it is recommended that the Treasury should examine these alternatives in conjunction with interested Departments in order to reach a solution in advance of any future emergency.

FINANCIAL ARRANGEMENTS

13. Because servicemen were not in the event deployed and the extra costs of preparing to provide assistance fell below the minimum level of £10,000 a number of problems that have been noted as likely to have arisen, due to the proximity of the strike to the end of the financial year, did not occur. Arrangements to overcome such problems are specifically dealt with in paragraphs 8 to 10 of CCU(82)15.

Discussions are being held between the Department of the Environment and the Treasury to ensure that no new problem areas have been identified and the outcome will be notified to all members of the Unit in due course.

PUBLICITY

14. Arrangements for controlling Government publicity during industrial disputes are laid down in CCU(82) 5 and their use during the water strike was specifically endorsed at the Ministerial CCU meeting on 18 January (CCU(83) 1st Meeting). These arrangements place responsibility for effectively presenting the Government's case on the lead Department(s) and for coordination on the Prime Minister's Chief Press Secretary.

15. In the water dispute the arrangements were complicated by the leading role played by the National Water Council and by the fact that a number of ad hoc Ministerial meetings, as well as the CCU, discussed and issued instructions on Government publicity. This raises the question whether the responsibilities of lead Departments and Prime Minister's Chief Press Secretary established in CCU(82) 5 are sound.

16. In practice a leading role in any public sector dispute will be taken by the negotiating authority - in this case the National Water Council. Where the negotiating authority is separate and distinct from Government, as in this case, Government will invariably find it more difficult to control publicity. For a variety of reasons the water dispute magnified those difficulties and made them exceptionally acute. But they demonstrated that the principles established in CCU(82) 5 are sound. Responsibility for presenting the Government's case (as distinct from that of the employing authority) rested - and was seen to rest - with the lead Departments (Department of the Environment, Welsh and Scottish Offices and the Department of the Environment in Northern Ireland) and the Prime Minister's Chief Press Secretary took responsibility at official level for coordinating Government presentation. The presentation and coordinating roles of the Department of the Environment and the Chief Press Secretary were facilitated by the personal attendance at CCU and ad hoc Ministerial meetings of the Chief Press Secretary and the Director of Information, Department of the Environment. The peculiar circumstances of the dispute underlined the need for close coordination between the lead Department and the Chief Press Secretary and how the No 10 Press Office can reinforce the publicity work of the lead Department.

FREQUENCY OF CCU MEETINGS

17. During the period of the strike there were 17 meetings of the CCU: 7 at Ministerial and 10 at official level. A number of meetings that had been arranged were cancelled when there was insufficient business to justify a meeting. There were also a number of ad hoc Ministerial meetings which were attended by some, but not all, of the Ministers who normally attend CCU. The annex shows in general terms the main business conducted at each CCU meeting.

18. With one or two exceptions Departments considered that the number of meetings were about right. They proved valuable in bringing both Ministers and officials up to date with developments and policy - especially on publicity, fairly frequently. As already noted (paragraph 6 above) there may be merit in future in delegating responsibility for certain actions - eg variations to service notice, to those Ministers most directly responsible with a view to reducing the number of meetings at Ministerial level. The flexibility demonstrated in changing meeting arrangements at fairly short notice was also generally appreciated.

19. Information during the strike was provided by circulating the National Water Council's daily situation report to all CCU members and the distribution, on a more limited scale, of press summaries prepared by the Central Office of Information. A satisfactory level of knowledge about both the progress of the strike and media reaction was thereby achieved daily, irrespective of whether a meeting of the Unit was due to be held.

20. It has been suggested that better coordination might have been achieved in the early stages regarding the direction of enquiries to the correct Departments, eg matters relating to firefighting, fire prevention and the Emergency Powers Act should have been directed initially to the Home Office. This problem might be overcome in future by having the subject of interdepartmental coordination included specifically on the agenda of an early CCU meeting thus giving Departments the opportunity to say what they would require in the circumstance of a particular situation.

LEGAL ASPECTS

21. In the light of experience of a number of "sit-ins" by strikers at water authority installations the Department of the Environment are to address, during their review of water supply law, the need for changes in the law of trespass; or other powers to enable water authorities to enlist the aid of the police to deal quickly and effectively with occupations during any future dispute. Loitering and trespass can by regulation be made criminal offences under a state of emergency, but any practical proposals, which would not depend on the declaration of a state of emergency, that eventually emerge from the Department of the Environment review, should be reported to the Unit in view of their possible wider application to future disputes in other sectors.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

22. Ministers are invited to endorse the following conclusions and recommendations:

a. that the timing of "wise men" consultations can best be decided at the beginning of a dispute when all members of the Unit can be given a full briefing on the factors needing to be considered (paragraph 3).

b. that the Department of the Environment should endeavour to persuade all water authorities to provide a training package for servicemen on the lines of the one currently available for the Anglian Water Authority area (paragraph 5).

c. that the existing plans for providing service assistance in the event of industrial action in the water industry should be reviewed jointly by the Department of the Environment and Ministry of Defence to incorporate the limited experience gained during the 1983 strike and particularly to achieve a greater degree of overall flexibility (paragraphs 4 and 7).

d. the Home Departments should, in conjunction where appropriate with the Department of the Environment, consider the practicability of providing non-service crews for Green Goddesses during a water strike (paragraph 8) and the maintenance of up to date lists of water relaying equipment (paragraph 11).

e. the Treasury should report to the Unit in due course the outcome of discussions on the basis of charging for the use of water relaying equipment (paragraph 12) and whether any new problem areas have been identified concerning the reimbursement of MOD no loss costs, that might require changes to be made to CCU(82) 15 (paragraph 13).

f. that the arrangements laid down in CCU(82) 5 for controlling Government publicity during industrial action were found to be sound in practice (paragraph 16)

g. that in the event of future industrial action (not only in the water industry) the subject of inter-departmental coordination should appear on the agenda of an early CCU meeting (paragraph 20) as should the possibility of delegating to Ministers directly concerned responsibility for varying service notice (paragraph 6).

h. that the Department of the Environment will report to the Unit in due course the outcome of their work on improving the laws regarding trespass, in view of its possible implications for disputes in other industries (paragraph 21).

i. the Scottish Office should take parallel action for Scotland on sub-paragraphs b and c above and should also consider the Scottish position on the contents of paragraph 21 and the related sub-paragraph h above.

23. Ministerial endorsement will be assumed unless the Secretariat (Brigadier Budd 01-233 7388) is informed otherwise before NOON on THRUSDAY 4 AUGUST 1983.

Cabinet Office

21 July 1983

ANNEX

WATER WORKERS STRIKE 1983 - SEQUENCE OF EVENTS

18 Oct 1982	One day strike by manual workers.
17 Nov	Minister for Local Government and Environmental Services requested wise men consultations before 3 Dec.
19 Nov	CCU Meeting (official) - reviewed situation.
23 Nov	Chairman CCU recommended delaying wise men consultations for about ten days after 3 Dec.
10 Dec	Minister for Local Government and Environmental Services authorised wise men consultations to begin 20 Dec
7 Jan 1983	Result of unions' ballot in favour of strike action announced.
17 Jan	Water unions announced all-out strike to begin 23 Jan with immediate ban on overtime, standby and call-out. Divisional level consultations authorised.
18 Jan	CCU Meeting (Ministerial) - agreed arrangements for service notice and publicity.
23 Jan	All-out strike began.
24 Jan	CCU Meeting (Ministerial) - reviewed situation and agreed arrangements for authorising the initial commitment of servicemen.
26 Jan	CCU Meeting (official) - considered use of Home Office water relaying equipment.
27 Jan	CCU Meeting (Ministerial) - agreed variation of service notice for weekend and discussed ways of achieving more effective publicity.
28 Jan	CCU Meeting (official) - further consideration of use of Home Office water relaying equipment including priorities.
1 Feb	CCU Meeting (Ministerial) - reviewed situation, especially continuing unsatisfactory publicity. Agreed Green Goddesses not to be issued without specific Ministerial authority.
	CCU Meeting (official) - further work on water relaying equipment and priorities.
2 Feb	CCU Meeting (official) - commissioned work in a number of areas (publicity, consistency of information, effect on industry, possible use by DHSS of service water purification team).
3 Feb	CCU Meeting (official - considered outcome of work commissioned at previous meeting.

4 Feb	CCU Meeting (Ministerial) - reviewed situation and agreed change in service notice for weekend.
7 Feb	CCU Meeting (official) - reviewed situation and commissioned work on consistency of Ministerial statements and extent of threat of power workers support for water workers.
9 Feb	CCU Meeting (official) - reviewed situation with particular reference to publicity.
10 Feb	CCU Meeting (Ministerial) - agreed service notice for weekend and discussed various aspects of publicity.
14 Feb	CCU Meeting (official) - reviewed situation and commissioned work on possible use of emergency powers, legal position of water authorities viz a viz their statutory duties and use of contractors.
15 Feb	CCU Meeting (official) - reviewed situation and arranged for circulation of reports on use of contractors and water authorities' duty to supply water.
16 Feb	CCU Meeting (official) - considered possible uses of emergency powers and priorities for maintenance of water supplies.
17 Feb	CCU Meeting (Ministerial) - agreed service notice for the weekend and reviewed publicity arrangements.
19 Feb	Committee of Inquiry - set up by ACAS, began work.
21 Feb	CCU Meeting (official) - considered notice for service repair teams and construction groups and possible uses of emergency powers.
23 Feb	NJIC met and made settlement on basis of Committee of Inquiry's report.
24 Feb	Strike called off - rapid return to work began.

ACTION

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Local Govt: Pay JLA manuals MCS 14

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CCU(83) 34

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21 July 1983

CABINET

CIVIL CONTINGENCIES UNIT

LESSONS FROM THE THREATENED STRIKE IN THE FIRE SERVICE APRIL 1983

Note by Officials

Background

1. On 28 March 1983 the Fire Brigades Union (FBU) decided to recall their delegate conference on 26 April with a view to obtaining support for industrial action in protest at a proposed increase of 4 per cent in employees' pension contributions. The form of industrial action to be taken was unclear but was expected to be localised 24 hour all-out strikes without prior warning and beginning before 1 May.

2. In the light of this threat the Home Secretary, after consulting other Ministers involved, authorised "wise men" consultations on 6 April, with the usual exhortation regarding discretion and maintenance of confidentiality. The CCU met at official level on 11 April and recommended to Ministers that service notice for Military Aid to Civil Ministries (MACM) Plans YAMS (Great Britain) and BICKLEY (Northern Ireland) should be reduced. On 12 April the Home Secretary, in consultation with Ministers directly involved, authorised a reduction of service notice to 24 hours to move from 6.00 am on Monday 18 April and for Green Goddess fire appliances in Home Departments' depots to be prepared for issue.

3. Following a meeting of the Fire Service Joint Pensions Committee on 18 April it was decided to order a 4 per cent increase in employees' pension contributions to be implemented in two equal stages on 1 May and 1 November 1983. On the same

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day the FBU executive decided to go ahead with their planned recalled delegate conference on 26 April. The CCU met in Ministerial session on 20 April, issues of Green Goddesses were authorised to start that day and deployment of appliances and trained service crews into Army District concentration areas was to be completed by the evening of 25 April.

4. On 26 April delegates at the FBU conference voted against taking industrial action. Preparations for implementing plans YAMS/BICKLEY were immediately discontinued, Green Goddesses were returned to store and servicemen resumed their normal duties as quickly as possible. No further meetings of the CCU were required.

Lessons Learned

5. Preparations to provide emergency fire cover were carried out very smoothly. There were no significant problems and this is attributed to the close liaison which has been maintained between the Home Departments and Ministry of Defence since the firemen's strike in 1977/78 and the preparations made to meet a threatened strike in late 1980. All aspects of plans have been refined and regularly updated. The three year programme of maintenance and refurbishment of Green Goddesses, carried out by the Home Departments, resulted in very few faults being discovered when the appliances were issued and those that did arise were minor.

6. Home Departments and the Ministry of Defence will be reviewing their plans again in the light of experience gained in April. Attention will be given to the following:-

a. ways of ensuring where appropriate that all wise men consultations are carried out as quickly as possible after authority for them is given by Ministers. A number of problems arose in a few areas where the consultations were not held until shortly before the time a strike could have begun.

b. a number of relatively minor detailed points viz the rate of issue for Green Goddesses; the possibility of enabling some service instructors to familiarise themselves with the vehicles earlier than current arrangements allow; provision of sufficient petrol to Green Goddesses on issue from

storage depots, agency cards, certain items of protective clothing, foam, breathing apparatus, safety equipment in urban areas and small packs of spares for Green Goddesses; and the need for early involvement of the Home Office regional wireless service.

7. The most serious potential difficulty encountered was in Northern Ireland where supervision of service fire fighters by fire officers at the fireground, a key assumption of the services plan, was put in some doubt. With very few exceptions fire officers appear unprepared to be seen working with the services as they believe such action could imperil their lives - in the light of threats issued from time to time by terrorist organisations in the Province. Discussions are in progress to explore possible alternatives.

Conclusion

8. Ministers are invited to take note of the smooth progress of preparations to provide emergency fire cover had the threatened firemen's strike materialised and that the few matters mentioned in this note are expected to be resolved during interdepartmental discussions.

Cabinet Office

21 July 1983

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHI[redacted] LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

NBPM

MLS 8/7

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

ccNO

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8 July 1983

Dear Patrick

WATER INDUSTRY - FUTURE PAY BARGAINING

You copied to me your letter of 28 June to Nigel Lawson. I attach considerable weight to the Welsh Water Authority Chairman's opinion that bargaining on basic pay rates should remain centralized, but of course I recognise that there are strong arguments on the other side.

Having regard to the discussions that have taken place over the past 2 to 3 months, I fully support your seeking an independent assessment through a 'wise man'. Your suggested terms of reference and the three names you mention are acceptable to me.

I am copying this letter to the Prime Minister and the other recipients of yours.

Yours ever
Nick

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

Local 600 Pay of
Manuals Pt 4

SECRET AND PERSONAL

SIR ROBERT ARMSTRONG

Lessons of the Water Dispute

Thank you for your letter of 6 July, reference A083/1976. I have show this to the Prime Minister, who has noted it without comment.

MCS

8 July 1983

SECRET AND PERSONAL

SECRET AND PERSONAL

CC N.O. 5

(2)

Prime Minister

MLS 7/7

Ref.A083/1976

MR SCHOLAR

Lessons of the Water Dispute

In your minute of 4 July you recorded the Prime Minister as asking who would follow through the Report on the Lessons of the Water Dispute.

2. The lessons fall under the following headings:

i. matters specific to the water industry:

a. measures to improve physical endurance;
b. handling of pay negotiations;

ii. matters of general relevance to public sector pay negotiations.

3. The responsibility for following up the lessons relating to i.(a) and (b) falls to the Secretary of State for the Environment as sponsoring Minister, with the single exception of the review by the Civil Contingencies Unit (CCU) of the plans for Service assistance which is being arranged in the normal way by the Cabinet Office. Most of the work in i.(a) and (b) is already in hand.

4. The follow-up in relation to ii. is, as my minute of 28 June indicated, a matter for the Departments with general responsibilities relating to pay negotiations and disputes in the public sector, ie principally the Treasury, the Department of Employment, the No 10 Policy Unit and the Cabinet Office. The officials primarily concerned in these matters have been involved in the preparation of the Report and will therefore have these lessons in mind in future negotiations and disputes.

RCA

ROBERT ARMSTRONG

6 July 1983

SECRET AND PERSONAL

Action

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CCU(83) 31

COPY NO 1

5 July 1983

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CIVIL CONTINGENCIES UNIT

LESSONS FROM THE WATER WORKERS' STRIKE JAN/FEB 1983

Note by the Secretaries

Attached is a report, incorporating comments made by Departments in response to CCU(83) 30, in the form in which it is intended to submit it to CCU Ministers for endorsement out of committee.

Unless the Secretariat (Brigadier Budd 01-233 7388) is informed otherwise before 12 NOON on TUESDAY 12 JULY 1983 it will be assumed that Departments are satisfied with the report's contents.

Signed J A J BUDD
J F STOKER
D J BOSTOCK
D BRENNAN

Cabinet Office

5 July 1983

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CABINET

CIVIL CONTINGENCIES UNIT

LESSONS OF THE WATER WORKERS' STRIKE JAN/FEB 1983

Note by the Secretaries

INTRODUCTION

1. The first ever national water workers' strike began at midnight on 23 January and lasted 4½ weeks. It had been preceeded by a one-day national strike on 18 October 1982. The strike involved water industry manual workers in England, Wales and Northern Ireland. About 50 per cent of craftsmen were involved most of the time, either on strike or declining to cross picket lines. Craftsmen were officially called out on strike on 20 February. By the end of the strike some 91,000 properties (less than 0.5 per cent of all properties normally supplied) were without piped water and some 8 million people were advised to boil drinking water as a precaution. Manual workers and craftsmen both returned to work when the strike was called off on 24 February. The strike did not affect Scotland although at some stages it seemed that it might. At annex is a chronological sequence of events during the strike period.

2. The purpose of this report is to highlight those aspects of the strike from which the Civil Contingencies Unit (CCU) might draw lessons for the future. The contents have been compiled from departmental contributions and are confined to matters of direct CCU interest. A number of non-CCU aspects of the dispute, eg the handling of pay negotiations, water industry publicity and a re-assessment of likely endurance in the event of a future strike have been considered separately.

MILITARY AID TO CIVIL MINISTRIES (MACM) Plans KEELMAN/FOOTWAY

Wise Men Consultations

3. It was proposed that these consultations should be initiated at Water Authority/Chief Constable/Army District Commander level on 3 December in order to get them completed well before Christmas. However there were delicate negotiations in progress involving ACAS and both sides in the water industry. There had already been press reports about the pressures it was alleged the Government were bringing to bear on the employers as to the level of pay offer to be made. Union members were being consulted on whether to take all-out strike action. To avoid the risk of wise men consultations becoming known and further complicating the delicate negotiations they were not authorised to begin until 20 December. They were not complete before Christmas but in practice they were completed well before the strike began. No evidence has been produced to indicate that the fact that these consultations were being held leaked out. It is tempting therefore to argue that, in future, wise men consultations should not be delayed for the reasons they were on this occasion. However opinions on this matter differed widely and on balance it would appear to be unwise to reach a firm conclusion about the timing of wise men consultations on the experience of this strike. The CCU will invariably need to weigh the case for having such consultations early, to facilitate the detailed planning that will always be needed at the lower levels, against the case to leave them until the last possible moment if there is any risk of prejudicing the peaceful settlement of a dispute should news of the consultations leak out. This can be done sensibly only in the light of circumstances at the time which highlights the need for full and accurate briefing of Ministers and officials attending the CCU meeting at which the timing of wise men consultations is to be discussed.

4. Because the risk of leakage was thought to be greater, consultations at the lower (divisional) levels were not authorised until the last possible minute, on 17 January. Even though the service plans had been reviewed in mid-1982 a number of changes were, perhaps unsurprisingly, found to be necessary. Although service assistance was not requested and therefore the plans made were not put to the test, the fact that consultations were held countrywide at divisional level should prove helpful during the further review of detailed plans that will now take place.

Amongst items which will require particular attention are; service trades and numbers required; likely availability of water authority vehicles and equipment and the provision of maps showing the location of water authority installations and routes to them.

Service Training

5. Training of servicemen in advance of their deployment to the installation to which they are allocated presents a problem. The constant rotation of service units and personnel makes such training simply impracticable. The fairly sophisticated training package prepared by the Anglian Water Authority has proved to be of value to those units earmarked for deployment to that area and other water authorities should be encouraged to produce similar packages. Bilateral contacts between water authorities and the services at the most senior levels are already encouraged and aid the smooth progress of wise men consultations.

Service Notice

6. The flexibility in determining service notice - particularly at weekends, was most welcome to the MOD. It would have been more convenient if decisions on weekend notice could have been taken on Thursday afternoon rather than on Friday morning but other factors had to be taken into account when arranging Ministerial level CCU meetings. Experience of this first national strike in the water industry should permit plans to be reviewed to achieve a greater degree of flexibility and thus allow a less onerous degree of notice - especially for Mobile Emergency Repair Teams and Construction Groups, to be imposed in the future. It is highly undesirable to keep a limited number of servicemen at 6 hours or less notice to move, for a relatively long period, particularly when they were never in the event deployed to a task. It is also for consideration whether authority to vary service notice might with advantage be delegated by the Unit to the Ministers most directly involved after consultations with each other - the Secretariat being responsible for informing other Ministerial members if there was no meeting of the Unit likely within a reasonable time.

7. Arrangements will be made to review these plans in the light of experience, albeit limited, acquired during this strike. Although service assistance was not requested and the degree of disruption after $4\frac{1}{2}$ weeks of strike action was not particularly onerous it would be imprudent to assume that in any future strike

there would be no requirement for service assistance. The review will give all interested parties the opportunity to discuss the matters raised in paragraphs 4 to 6 above and to ensuring that the successors to plans KEELMAN/FOOTWAY allow greater flexibility in application and provide an up to date basis for effective lower level planning.

WATER RELAYING EQUIPMENT

8. The potential uses to which water relaying equipment held in Home Office stores in England and Wales for civil defence and firefighting purposes might be put had not been incorporated into contingency plans although account had been taken of the possible use of similar equipment in Scotland. However ad hoc planning, carried out by the CCU at official level soon after the strike began, resulted in a number of bids for allocation of this equipment, mainly for water storage or acquisition from alternative sources. The Home Office agreed to check the condition of the equipment which was not maintained in as high a state of readiness as other items of emergency fire service equipment. In the event bids never exceeded the equipment available; only the prison service forensic science service and Government Communications Headquarters drew items from Home Office stores. Serviceability checks revealed a number of problems that might otherwise not have been appreciated. It was decided that Green Goddess fire appliances, useful for their pumping rather than water carrying capabilities, should not be issued without specific Ministerial authority. This recognised their association in the public mind with service assistance during earlier firemen's strikes and the need during the water strike to keep service preparations as discreet as possible - Green Goddesses would have required service drivers and crewmen. The implications of providing service manpower for this additional task concurrently with readiness to assist in maintaining essential water supplies and sewage services were not examined in detail, but the provision of specialists could be a problem and it is likely that only a limited number of Green Goddesses could, in these circumstances, be manned by the services. The possibility of providing volunteer civilian drivers and crews for the Green Goddesses was not considered.

9. Water relaying equipment is also available in Scotland - under control of the Scottish Home and Health Department, and in Northern Ireland under the control of the Northern Ireland Office. It was estimated that stocks were sufficient to to meet any demand that might have arisen in these areas of the United Kingdom.

10. A number of water tankers held under MAFF control would, it is ancitipated, be used for agricultural purposes during any future strike and it is unlikely that they would be available for use elsewhere.

11. It is for consideration whether a contingency plan should be developed so that, in the event of a future strike in the water industry, proposals for allocation of the equipment could be presented quickly to the CCU to guard against the failure of the best endeavours of the water authorities to maintain services. It should not be difficult for the Home Office, Scottish Home and Health Department, Welsh and Northern Ireland Offices to maintain an up to date list of equipment available and its location; although it would not be practicable to establish a list of relative priorities until the actual circumstances of use are clear. A summary of the type of equipment available is already in Chapter V of Section II of the Cabinet Office Civil Emergencies Book (COCEB).

12. It is also for consideration whether the scale of charges for use of the equipment, which were selected by the Home Office, were reasonable. On this occasion the charges were on the basis of full costs in accordance with Treasury instructions that repayment services between Exchequer Departments should normally be so charged. The principle of "extra costs", the basis on which Departments reimburse the MOD for service assistance in the event of civil emergencies under the MACM scheme might be considered as a fairer basis of charging in future and it is recommended that the Treasury should examine these alternatives in conjunction with interested Departments in order to reach a solution in advance of any future emergency.

FINANCIAL ARRANGEMENTS

13. Because servicemen were not in the event deployed and the extra costs of preparing to provide assistance fell below the minimum level of £10,000 a number of problems that have been noted as likely to have arisen, due to the proximity of the strike to the end of the financial year, did not occur. Arrangements to overcome such problems are specifically dealt with in paragraphs 8 to 10 of CCU(82) 15. Discussions are being held between the Department of the Environment and the Treasury to ensure that no new problem areas have been identified and the outcome will be notified to all members of the Unit in due course.

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14. Arrangements for controlling Government publicity during industrial disputes are laid down in CCU(82) 5 and their use during the water strike was specifically endorsed at the Ministerial CCU meeting on 18 January (CCU(83) 1st Meeting). These arrangements place responsibility for effectively presenting the Government's case on the lead Department(s) and for coordination on the Prime Minister's Chief Press Secretary.

15. In the water dispute the arrangements were complicated by the leading role played by the National Water Council and by the fact that a number of ad hoc Ministerial meetings, as well as the CCU, discussed and issued instructions on Government publicity. This raises the question whether the responsibilities of lead Departments and Prime Minister's Chief Press Secretary established in CCU(82) 5 are sound.

16. In practice a leading role in any public sector dispute will be taken by the negotiating authority - in this case the National Water Council. Where the negotiating authority is separate and distinct from Government, as in this case, Government will invariably find it more difficult to control publicity. For a variety of reasons the water dispute magnified those difficulties and made them exceptionally acute. But they demonstrated that the principles established in CCU(82) 5 are sound. Responsibility for presenting the Government's case (as distinct from that of the employing authority) rested - and was seen to rest - with the lead Departments (Department of the Environment, Welsh, Scottish and Northern Ireland Offices) and the Prime Minister's Chief Press Secretary took responsibility at official level for coordinating Government presentation. The presentation and coordinating roles of the Department of the Environment and the Chief Press Secretary were facilitated by the personal attendance at CCU and ad hoc Ministerial meetings by the Chief Press Secretary and the Director of Information, Department of the Environment. The peculiar circumstances of the dispute underlined the need for close coordination between the lead Department and the Chief Press Secretary and how the No 10 Press Office can reinforce the publicity work of the lead Department.

FREQUENCY OF CCU MEETINGS

17. During the period of the strike there were 17 meetings of the CCU: 7 at Ministerial and 10 at official level. A number of meetings that had been arranged were cancelled when there was insufficient business to justify a meeting. There were also a number of ad hoc Ministerial meetings which were attended by some, but not all, of the Ministers who normally attend CCU. The annex shows in general terms the main business conducted at each CCU meeting.

18. With one or two exceptions Departments considered that the number of meetings were about right. They proved valuable in bringing both Ministers and officials up to date with developments and policy - especially on publicity, fairly frequently. As already noted (paragraph 6 above) there may be merit in future in delegating responsibility for certain actions - eg variations to service notice, to those Ministers most directly responsible with a view to reducing the number of meetings at Ministerial level. The flexibility demonstrated in changing meeting arrangements at fairly short notice was also generally appreciated.

19. Information during the strike was provided by circulating the National Water Council's daily situation report to all CCU members and the distribution, on a more limited scale, of press summaries prepared by the Central Office of Information. A satisfactory level of knowledge about both the progress of the strike and media reaction was thereby achieved daily, irrespective of whether a meeting of the Unit was due to be held.

20. It has been suggested that better coordination might have been achieved in the early stages regarding the direction of enquiries to the correct Departments, eg matters relating to firefighting, fire prevention and the Emergency Powers Act should have been directed initially to the Home Office. This problem might be overcome in future by having the subject of interdepartmental coordination included specifically on the agenda of an early CCU meeting thus giving Departments the opportunity to say what they would require in the circumstance of a particular situation.

LEGAL ASPECTS

21. In the light of experience of a number of "sit-ins" by strikers at water authority installations the Department of the Environment are to address, during their review of water supply law, the need for changes in the law of trespass; or other powers to enable water authorities to enlist the aid of the police to deal quickly and effectively with occupations during any future dispute. Loitering and trespass can by regulation be made criminal offences under a state of emergency, but any practical proposals, which would not depend on declaration of a state of emergency, that emerge from the Department of the Environment review, will be reported to the Unit in view of their possible wider application to future disputes in other sectors.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

22. Ministers are invited to endorse the following conclusions and recommendations:

a. that the timing of "wise men" consultations can best be decided at the beginning of a dispute when all members of the Unit can be given a full briefing on the factors needing to be considered (paragraph 3).

b. that the Department of the Environment should endeavour to persuade all water authorities to provide a training package for servicemen on the lines of the one currently available for the Anglian Water Authority area (paragraph 5).

c. that the existing plans for providing service assistance in the event of industrial action in the water industry should be reviewed jointly by the Department of the Environment and Ministry of Defence to incorporate the limited experience gained during the 1983 strike and particularly to achieve a greater degree of overall flexibility (paragraphs 4 and 7).

d. the Home Departments should consider the possibility of providing non-service crews for Green Goddesses during a water strike (paragraph 8) and the maintenance of up to date lists of water relaying equipment (paragraph 11).

e. the Treasury should report to the Unit in due course the outcome of discussions on the basis of charging for the use of water relaying equipment (paragraph 12) and whether any new problem areas have been identified concerning the reimbursement of MOD no loss costs, that might require changes to be made to CCU(82) 15 (paragraph 13).

f. that the arrangements laid down in CCU(82) 5 for controlling publicity during industrial action were found to be sound in practice (paragraph 16).

g. that in the event of future industrial action (not only in the water industry) the subject of inter-departmental coordination should appear on the agenda of an early CCU meeting (paragraph 20) as should the possibility of delegating to Ministers directly concerned responsibility for varying service notice (paragraph 6).

h. that the Department of the Environment will report to the Unit in due course the outcome of their work on improving the laws regarding trespass, in view of its possible implications for disputes in other industries (paragraph 21).

Cabinet Office

5 July 1983

ANNEX

WATER WORKERS STRIKE 1983 - SEQUENCE OF EVENTS

18 Oct 1982	One day strike by manual workers.
17 Nov	Minister for Local Government and Environmental Services requested wise men consultations before 3 Dec.
19 Nov	CCU Meeting (official) - reviewed situation.
23 Nov	Chairman CCU recommended delaying wise men consultations for about ten days after 3 Dec.
10 Dec	Minister for Local Government and Environmental Services authorised wise men consultations to begin 20 Dec
7 Jan 1983	Result of unions' ballot in favour of strike action announced.
17 Jan	Water unions announced all-out strike to begin 23 Jan with immediate ban on overtime, standby and call-out. Divisional level consultations authorised.
18 Jan	CCU Meeting (Ministerial) - agreed arrangements for service notice and publicity.
23 Jan	All-out strike began.
24 Jan	CCU Meeting (Ministerial) - reviewed situation and agreed arrangements for authorising the initial commitment of servicemen.
26 Jan	CCU Meeting (official) - considered use of Home Office water relaying equipment.
27 Jan	CCU Meeting (Ministerial) - agreed variation of service notice for weekend and discussed ways of achieving more effective publicity.
28 Jan	CCU Meeting (official) - further consideration of use of Home Office water relaying equipment including priorities.
1 Feb	CCU Meeting (Ministerial) - reviewed situation, especially continuing unsatisfactory publicity. Agreed Green Goddesses not to be issued without specific Ministerial authority. CCU Meeting (official) - further work on water relaying equipment and priorities.
2 Feb	CCU Meeting (official) - commissioned work in a number of areas (publicity, consistency of information, effect on industry, possible use by DHSS of service water purification team).
3 Feb	CCU Meeting (official - considered outcome of work commissioned at previous meeting.

4 Feb	CCU Meeting (Ministerial) - reviewed situation and agreed change in service notice for weekend.
7 Feb	CCU Meeting (official) - reviewed situation and commissioned work on consistency of Ministerial statements and extent of threat of power workers support for water workers.
9 Feb	CCU Meeting (official) - reviewed situation with particular reference to publicity.
10 Feb	CCU Meeting (Ministerial) - agreed service notice for weekend and discussed various aspects of publicity.
14 Feb	CCU Meeting (official) - reviewed situation and commissioned work on possible use of emergency powers, legal position of water authorities viz a viz their statutory duties and use of contractors.
15 Feb	CCU Meeting (official) - reviewed situation and arranged for circulation of reports on use of contractors and water authorities' duty to supply water.
16 Feb	CCU Meeting (official) - considered possible uses of emergency powers and priorities for maintenance of water supplies.
17 Feb	CCU Meeting (Ministerial) - agreed service notice for the weekend and reviewed publicity arrangements.
19 Feb	Committee of Inquiry - set up by ACAS, began work.
21 Feb	CCU Meeting (official) - considered notice for service repair teams and construction groups and possible uses of emergency powers.
23 Feb	NJIC met and made settlement on basis of Committee of Inquiry's report.
24 Feb	Strike called off - rapid return to work began.

SECRET AND PERSONAL

FILE

RM

B/c N. Owen 4

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

LESSONS OF THE WATER DISPUTE

The Prime Minister was grateful for your minute (reference A083/1874) about the Lessons of the Water Dispute.

She has commented:-

"Who will follow through?"

M.C. SCHOLAR

4 July, 1983

SECRET AND PERSONAL

SECRET

3

Prime Minister (2)

MR SCHOLAR

Policy Unit
1 July 1983

cc Mr Mount

MLS 1/7

Who will follow through?

THE LESSONS OF THE WATER DISPUTE

Please see Sir R Armstrong's minute (attached)

This has turned out to be a useful report. It is written in the most tactful terms because the officials in the group who were involved in handling the dispute were understandably somewhat defensive. The general picture to emerge is that matters could have been handled better on the management and Government side, but that the peculiar circumstances of the dispute - the impending abolition of the NWC and the grievances felt by the employees - had a lot to do with the unsatisfactory outcome.

The more important lessons to emerge were:

- useful practical steps can be taken to increase endurance in the water industry (automation; duplicate mains; and a contractual requirement that contractors should in future continue to work during an industrial dispute in the water industry (they did not do so during the strike);

- endurance proved greater than expected: employers could be, and should have been more robust in their negotiations. It was surprising that the employers should have conceded 10.4% when their managers had shown they could cope;

- on handling, employers should avoid making forward commitments on pay, should avoid relying on unilateral access to arbitration - employees feel less bound by the outcome than the employer - and should not offer "something-for-something" when there is little to be obtained and a lot to be conceded by this approach;

- the Government should have avoided becoming publicly involved in the dispute: it undermined

what little credibility the employers had. The Government's difficulty was that it was fighting on two pay fronts at the same time and was concerned that the hopeless performance of the water industry employers would infect the health service dispute. The sensible role for the Government is to reinforce the employer, privately, in deniable terms, while letting it be known that the Government is prepared to accept the consequences of a strike, should matters come to that.

The report does not resolve the question about future negotiating arrangements in the industry. In the course of the report's preparation, Environment officials attempted to draw the conclusion that what was needed was a stronger ie centralised employers' arrangement, but the performance by the employers hardly supported this conclusion. The report observes that if decentralisation gave rise to a greater identity of interest between white and blue collar workers it could weaken endurance. But pursuing this argument further, decentralisation would promote greater identity of all employees with their employer, thereby reducing the likelihood of disputes. Would we have had a national water strike of 4½ weeks if bargaining had been decentralised?

The report does not attempt to generalise to other industries but in my view, the report suggests an important general lesson, namely, that officials and employers alike can underestimate endurance, both of the management and of the public. Two official reports had addressed this question prior to the dispute from which it might be inferred that endurance would be no greater than two weeks. In the event the industry endured 4½ weeks and could well have continued by as much again. This point may be worth bearing in mind in other contexts.

NICHOLAS OWEN

CONFIDENTIAL

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

Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

1 July 1983

FUTURE PAY BARGAINING ARRANGEMENTS FOR THE WATER INDUSTRY

You wrote to me on 28 June about the shape of future pay bargaining arrangements in the water industry. I am grateful to hear of the efforts you are making to secure professional advice on this issue and am well content with the approach you propose.

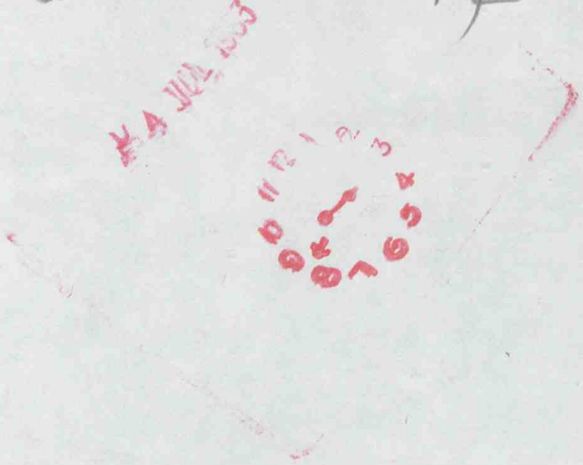
Our own knowledge of the candidates you mention suggests that any of them would do a good job, with Bob Ramsey perhaps our first choice.

I understand that the precise wording of the terms of reference is still being considered. My officials have already agreed with yours that the phrase 'the Government's general policies and objectives encouraging decentralisation' is rather too sweeping and would be better replaced with something like 'the case for decentralisation'. Otherwise the draft reference seems on the right lines.

I am copying this letter to the Prime Minister, to Norman Tebbit, Nick Edwards and Michael Jopling, and to Sir Robert Armstrong.

NIGEL LAWSON

Local 600 Pay of
Manuals Rtf



CONFIDENTIAL

bc FM

10 DOWNING STREET

From the Private Secretary

1 July 1983

Future Pay Bargaining Arrangements in the Water Industry

The Prime Minister has seen a copy of your Secretary of State's letter to the Chancellor of the Exchequer dated 28 June.

The Prime Minister is content with the terms of reference your Secretary of State proposes for the study of future pay bargaining arrangements in the water industry; and with the list of possible names he is considering.

I am sending copies of this letter to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment), Adam Peat (Welsh Office), Robert Lowson (MAFF) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Ballard, Esq.,
Department of the Environment.

CONFIDENTIAL

CONFIDENTIAL (1)

29 June 1983

Policy Unit

Prime Minister

PRIME MINISTER

Please see Patrick Jenkin's letter (attached)
Content with Patrick Jenkin's terms of reference and names?

FUTURE PAY BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY

Patrick Jenkin's terms of reference for the 'second opinion' seem quite adequate. Among his possible candidates, Mr Ramsey sounds the most promising, since he would have had experience of decentralised wage bargaining. But there is still a somewhat furtive tone about the whole business. We believe, with Geoffrey Howe, that, while it is always important not to delay, there is no need to accept a timetable for decision laid down by the trade unions. And the need for discretion should not prevent the consultant from canvassing quite widely, in the private sector as well as in the nationalised industries, the advantages and disadvantages of decentralised wage bargaining.

MCS 29/6

This is all the more necessary since the Department of the Environment itself is biassed and offered in defence of centralised bargaining only the example of the Engineering Employers' Federation, which in practice negotiates nationally only on hours and holidays. The serious pay negotiations are left to its member firms, while the national minimum is largely symbolic. This is the precise reverse of the position in the water industry in which, under the employers' preferred proposals, the national rates would remain decisive in determining the size of the pay packet.

FERDINAND MOUNT

CONFIDENTIAL

NG

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

28 JUN 83

Dear Nigel,

FUTURE PAY BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY

Geoffrey Howe wrote to Tom King on 16 May to say that he would like a second opinion before being persuaded that the water employers are right in their intention to retain centralised bargaining for basic pay after the abolition of the National Water Council. He went on to suggest that officials should clear the ground and identify consultants to examine the question, if we so decided. The Prime Minister agreed that it would be useful to have a second opinion.

I went over the ground on Friday with some of the water chairmen most concerned. They have I think looked at this matter with reasonably open minds, and they made it clear that they will do their utmost to negotiate and implement whatever system we ask. But their strong advice remains that we should accept their proposals which in their view represent significant concessions to the principle of decentralisation but which take account of the negotiating realities in this industry. As a result of these discussions I too am convinced that a second expert opinion would be helpful to us in deciding whether we should persuade the employers to change their approach.

I am quite sure that the key issues in question are not such that the conventional management consultants would be of much help. I therefore propose that we should follow the recommendations put to me by my officials, who I believe were in touch with your officials and Norman Tebbit's during the Election, that we should use a 'wise man' with the necessary knowledge and experience of industrial relations matters to make an independent assessment, albeit a subjective one, on which we can base our decisions. This approach has the advantage that it will probably be the most discreet.

It should also be most expeditious, and contrary to the view expressed by Geoffrey Howe, it is a factor of importance.

CONFIDENTIAL

The employers pressed me hard for a view by mid-July when they will be under pressure by the unions at a pre-arranged meeting of the NJIC. I have told them I will do my best to tell them what we think by the end of July.

I have attached proposed terms of reference for the study and the names of three possible contenders to carry it out, recommended initially by Department of Employment officials. In view of the urgency of the matter I intend to take anticipatory action straight away so that we can proceed with the minimum delay.

I would be grateful therefore for any comments which you and those to whom I have copied this letter may have on my proposals as soon as possible.

I am copying this to the Prime Minister, to Norman Tebbit, Nicholas Edwards, Michael Jopling; and to Sir Robert Armstrong.

Yours ever

Pat

PATRICK JENKIN

The Rt Hon Nigel Lawson MP

EA

CONFIDENTIAL

TERMS OF REFERENCE

To consider and to advise the Secretary of State for the Environment on the validity or otherwise of the water industry employers objections to the decentralisation of bargaining on basic pay and directly related items for their employees following the termination of the existing national agreements on terms and conditions of service on 30 September 1983; to recommend in the light of this how the future negotiations on terms and conditions of service should be structured within the industry; and to suggest how the industry might best organise itself to manage the proposed system and the procedures involved.

The study should give full regard to:

a. the Government's general policies and objectives encouraging decentralisation as a means of ensuring the optimum responsiveness to local labour markets and local operating conditions;

b. the employers' proposals including the views of the water companies;

c. the unions' declared position; their ability and resolve to carry it through in the short and long term; and the likely effects;

d. any measures that the employers might take in response to c above to neutralise or mitigate these effects.

The study is to be conducted discreetly and the report made in strict confidence. Only those organisations whose confidentiality can be reasonably assured should be approached. This may include the National Water Council and the water authorities and companies, whose co-operation will be sought, but will exclude the trade unions.

POSSIBLE CONSULTANTS

Robert Ramsey	President, Institute of Personnel Management; Member, Megaw Inquiry; (formerly) Director of Industrial Relations Ford Motor Co;
Oscar de Ville	Deputy Chairman BICC: ACAS Council Member; Council Member Industrial Society; Council Member CBI;
James Bell	(Formerly) General Manager Group Personnel ICI; Member Employment Appeal Tribunal; (formerly) Member CBI Employment Policy Group.

Local Govt.
Pay of CA Memorials
p 24

SECRET AND PERSONAL

PA

Ref. A083/1869

PRIME MINISTER

Lessons of the Water Dispute: Role of ACAS

In my minute attached covering a report by the Official Group on Water (MISC 61) about the lessons of the water dispute, there is no reference to the role of the Advisory, Conciliation and Arbitration Service (ACAS). The remit which the Cabinet gave to the Secretary of State for Employment on 24 February to review the methods of working of ACAS (CC(83) 6th Conclusions, Minute 4) was discharged by the Secretary of State in his minute to you of 22 March, copied only to the then Secretary of State for the Environment and myself, which you subsequently discussed with him.

RA

ROBERT ARMSTRONG

28 June 1983

SECRET AND PERSONAL

Prime Minister

To note.

Ref. AC83/1874

PRIME MINISTER

Lessons of the Water Dispute

I attach a report by the Official Group on Water (MISC 61) about the lessons of the water dispute. The conclusions and recommendations are summarised in the final Section (Section V).

2. The most important lesson is that endurance of a strike of water manual workers is probably considerably longer than the 4½ weeks duration of the 1983 strike, given the same degree of co-operation from management and supervisors. Endurance is likely to be further improved over time by work (in part already in hand and in part now being given a higher priority) to make the water supply less vulnerable to industrial action (for example automation of certain processes, the duplication of some key mains and the provision of extra interconnections).

3. Some general lessons are also drawn about the handling of pay negotiations, for example about avoiding forward commitments, about pursuing the Government's interest in public trading sector pay negotiations in a way which minimises loss of credibility of the employer, about the problems of unilateral access to binding arbitration, 16 month pay settlements and productivity deals, and about the need for better press and public relations. The Departments with general responsibilities relating to pay negotiations and disputes in the public sector, who have been involved in the preparation of the report, will bear these lessons in mind. Work is already in hand on the various matters which might help to improve endurance and there are no specific issues requiring Ministerial decision which arise out of the report.

4. The question of the degree of decentralisation of future pay bargaining arrangements in the water industry is of course still outstanding and is under separate consideration by Ministers. The arguments relating to that go much wider than the experience of the 1983 strike and the report therefore confines itself to noting a few relevant points in Section V, without attempting to draw any

final conclusions about the appropriate degree of decentralisation. I understand that the Secretary of State for the Environment is currently discussing this matter with the employers and will thereafter be letting you have his views.

5. If you and the other Ministers who have been sent copies of the report are generally content with its conclusions and recommendations I see no need for collective discussion.

6. I am sending copies of the report to the Chancellor of the Exchequer, the Secretary of State for the Environment, the Secretary of State for Employment, the Secretary of State for Transport (by virtue of his previous responsibilities and Mr Sparrow.

RCA

ROBERT ARMSTRONG

28 June 1983

NOTE

The circulation of this document has been restricted. Recipients are accordingly asked to ensure that the secrecy of its contents and the need to know principle is strictly observed.

THE LESSONS OF THE WATER DISPUTE

Report by the Official Group on Water (MISC 61)

INTRODUCTION

1. At Cabinet on 17 February (CC(83)5th Conclusions, Minute 4) it was agreed that an analysis should be undertaken of the lessons which might be drawn from the water strike. This report has been prepared by officials from the No. 10 Policy Unit, the Treasury, the Central Policy Review Staff and the Departments of Employment and the Environment under Cabinet Office chairmanship.

2. The strike in England and Wales began on 24 January and lasted until 24 February ($4\frac{1}{2}$ weeks); it was preceded by an overtime ban, which lasted for 5 days. It involved all the manual workers and a differing proportion of the craftsmen in all 10 water authorities and all but one of the 28 private water companies. Almost all craftsmen struck in support of their own separate pay claim in the last few days of the manual workers' strike but this action and earlier action by some of them in support of the manual workers did not materially affect events. Most sewerage workers were not involved, since they are local authority employees. Sympathetic action by manual workers was threatened in Scotland and did occur in Northern Ireland but this report is confined to the strike in England and Wales and it should not be assumed that the assessment it contains is necessarily relevant in all respects elsewhere.

3. By the end of the strike some 91,000 properties were without piped water supplies out of a total of about 20 million, ie. less than $\frac{1}{2}$ per cent; and some 8 million people were boiling drinking water as a precautionary measure. The pay settlement involved an increase of 7.3 per cent on basic rates plus a number of other elements and is to run for 16 months i.e. until 1 April 1984. The total value of the settlement in a full year is 10.4 per cent. This compares with average settlement levels during the pay round up to February of $5\frac{1}{2}$ per cent for the economy as a whole and for the private sector and $6\frac{1}{2}$ per cent for the public trading sector.

4. A chronology of the main events in the pay dispute is at Annex A.

5. This report is organised in five main sections as follows:-

Section I : reassesses likely endurance of a water strike in the light of the experience gained.

Section II : discusses the steps that might be taken to increase endurance.

Section III : summarises the lessons to be drawn about the handling of the pay negotiations and disputes in the public sector generally and the water industry in particular.

Section IV : discusses the prospects for the 1984 water industry manual workers' pay negotiations.

Section V : summarises the conclusions and recommendations.

Questions about the role of the Advisory, Conciliation and Arbitration Service (ACAS) have been dealt with separately by the Secretary of State for Employment.

SECTION I : ENDURANCE OF A WATER STRIKE

1.1 The scope for withstanding a water strike was discussed in a report prepared by MISC 61 and circulated with the Home Secretary's minute of 22 October 1981 to the Prime Minister. That report concluded that, in the face of a determined official strike during the next pay round, water authorities would be unable to maintain even basic services for very long because co-operation from middle managers would become increasingly doubtful. An updated report by MISC 61 in October 1982 came to similar conclusions, but noted that official industrial action was now more likely than in previous years. The report made various tentative predictions (which had been confirmed by water authorities) for the likely length of endurance against different levels of strike action with and without the co-operation of different groups of staff. There was no specific prediction for endurance in an official strike with staff undertaking extra duties but it might be inferred from the report that an endurance of 2 weeks and perhaps longer was possible in these circumstances.

1.2 In the event the strike demonstrated the difficulties of predicting the course and effects of industrial action. Predictions in previous reports by MISC 61 about the form of industrial action which might occur were optimistic but the assessment of endurance was pessimistic. Actual endurance was $4\frac{1}{2}$ weeks. When the strike was called off there was still no clear end in sight to water undertakers' endurance. Their estimates at that stage of likely further endurance varied from a week to a month or more.

1.3 There are a number of reasons why actual endurance proved to be longer than expected. The following are the main ones:-

(a) <u>The degree of co-operation from managers and supervisors</u>:
As expected the National and Local Government Officers Association (NALGO) instructed its members to do only their normal work during the manuals' strike. Supervisors, some of whom are members of the same unions as the manuals, received no specific instructions from their unions but were expected to do everything they could to support the manuals. The water authorities had always expected that senior managers would co-operate with them in a strike. Past experience suggested that junior managers and supervisors would do so provided that the strike was unofficial, but water authorities expected their co-operation to be withheld during an official strike. As it

happened, there was a high level of co-operation from managers and supervisors in some areas, though in other areas junior managers and supervisors did little more than their normal duties. This level of co-operation was enough to mitigate the most serious consequences of the strike. It probably arose because, faced with an all-out strike, managers' and supervisors' appreciation of the serious effects on services of their non-cooperation outweighed their loyalties to the strikers; also, they perceived that the offer on the table when the strike began (ie. following the mediation process) was probably a fair one which would lead to acceptable benefits for themselves in their own pay negotiations and that the residual issues in dispute were irrelevant to their own situation; finally, the employers and top management handled the situation astutely and inter alia ensured that the staff concerned were adequately remunerated for extra effort.

(b) Managers' and supervisors' greater ability to cope

It had previously been expected that managers and supervisors would quickly find it impossible to cope with the physical strain of maintaining services. Some instances of fatigue were, indeed, reported; and in a very long strike this might well come to be a serious problem. But on the whole it was much easier to cope than had been expected.

(c) No major emergency arose with which the authorities could not cope:

A number of significant emergencies did arise including, for example, blocked filters in Cornwall and major water main bursts in Anglesey, Southport and Southend, but by the efforts of management and supervisors and sometimes with the co-operation of the strikers the problems were resolved or at least eased so that a basic service continued. What evidence there is suggests that had a greater emergency arisen in this strike (eg a major aqueduct failure) strikers would have co-operated in making repairs. It is possible, however, that the result could have been a local confrontation serious enough for its consequences to affect the national endurance of the strike.

(d) The relatively good prevailing weather:

During the first half of the strike temperatures were higher than

normal which helped to minimise the number of burst pipes. After 8 February with the onset of sub-zero minimum temperatures the net daily increase in the number of properties without water supplies because of burst pipes almost trebled from the previous rate. But even so the problems with burst pipes were much less serious than those experienced in the extreme cold of January 1982. Throughout the strike high river flows limited the effect of untreated sewage discharges on river water quality.

(e) The tolerance of the general public:

In spite of the numbers advised to boil their water supplies or left without a piped water supply and in spite of extensive media coverage of events there was surprisingly little public clamour for a speedy settlement. This may have been partly because those without piped water supplies were in quite small and widely scattered groups. Had a large population been without a water supply, as was nearly the case in West Cornwall, the indications from there are that there would have been a serious public outcry, directed as much at the strikers as at the water authority.

1.4 The strike also demonstrated that endurance of industrial action in the water industry was not dependent on the maintenance of emergency cover. The trades unions were enjoined by the industry's closed shop agreement "to ensure that in the event of industrial action every effort should be made to avoid harm to the health of the consumers." Although the GMBATU set up a central point to co-ordinate the interpretation of these provisions, the trades unions' interpretation of them at local level varied considerably from the very start of the strike. Emergency cover was provided to help to deal with some potentially serious problems, especially early in the strike. In some areas and at some times emergency repairs were carried out not just for reasons of health and safety but also on humanitarian grounds. On the other hand, in one area emergency cover was never provided. In large parts of the country the unions' attitude to emergency cover became more restrictive as time passed. In some areas emergency cover effectively disappeared after a time. A great deal of management time and effort was expended in argument with the trade unions about how provisions in the closed shop agreement for emergency cover were to be interpreted in particular cases. By the end of the strike senior management had come to think that the few benefits to be derived from the emergency cover

provisions were far outweighed by the disadvantages, particularly the burden on management; and that in any future strike it would on the whole be better for management to be free to act to deal with emergencies without being obliged to consult the unions first on the scope of an agreement. Even if there were no specific agreement in the industry the general guidelines issued by the Trades Union Congress on the maintenance of essential services during strikes would still apply. Accordingly, when the industry's closed shop agreement expires in September with the abolition of the National Water Council (NWC) the industry will not seek to renegotiate either that agreement or a separate new agreement on emergency cover during industrial disputes.

1.5 In general, the strike affected only individual domestic consumers. There were few consequences of any significance for industry. In particular, the continued operation of the national grid, which had previously been thought to be potentially at risk, was never in jeopardy. The trades unions in the electricity supply industry, not unexpectedly, made public statements about the unacceptability of action by management to draw water for the power stations from alternative sources. But in practice they appear to have taken no specific action in pursuit of their statements. Given their reluctance in recent years to take industrial action on their own behalf, it is unlikely that there would be sustained industrial action in the electricity industry in support of a water workers' pay claim. Nonetheless, the Central Electricity Generating Board is pressing ahead with the provision of additional, independent water supplies to the power stations, which was approved by Ministers last year. The majority of this work should be completed by next spring when the next pay negotiations will take place in the electricity supply and water industries; and the programme should be completed by the winter of 1984/85.

1.6 In sum this strike has shown that endurance of $4\frac{1}{2}$ weeks and possibly substantially more is possible given the same high degree of co-operation from management and supervisors, similar behaviour on the part of strikers and helpful weather conditions. Circumstances are likely to be different in future strikes and consequently endurance will be different. However, based on the experience of the first extended official strike, we consider in the next section measures that might be taken to increase endurance in the foreseeable circumstances of future strikes.

SECTION II : INCREASING ENDURANCE OF A STRIKE

2.1 The main way in which endurance of a future strike in the water industry might be increased in the short term is by improving management's ability and willingness to cope with its effects. There are broadly two approaches to this, namely:-

(a) making the water purification and distribution systems more robust and more automatic; and

(b) reinforcing the willingness of management and supervisors to co-operate in withstanding industrial action.

The scope for Service assistance is also discussed below.

Physical measures to improve endurance

2.2 The strike has confirmed the value of a number of measures to reduce vulnerability to strike action. Most significant are the automation of water and sewage treatment processes (filter washing, chemical dosing, sludge handling etc) and the use of telemetry to give early warnings of developing problems. Improvements like these are part of the normal investment of water authorities in renewing, extending and upgrading their systems. Authorities recognise, however, that in some places the strike has shown that they deserve higher priority because of their effect on endurance. Water authorities are also investing specifically to reduce vulnerability to strikes. For example, improvements to the size and distribution of stocks of water treatment chemicals and alterations to some chlorine residual alarms will reduce the need for advice to boil water. Duplication of some critical water mains and the provision of extra interconnections will alleviate some of the problems of burst pipes. Improvements to the physical security of installations will make them harder for strikers to occupy, thus reducing interference with management's efforts to mitigate the effects of strike action.

Reinforcing management's willingness to co-operate

2.3 The central importance of the co-operation of lower and middle management and supervisors in the dispute was discussed in Section I. There have been no significant examples of disciplinary action or of victimisation of manager/supervisors by their unions, or any refusal by manual staff to co-operate with them. This precedent makes it now more likely that these groups would again

co-operate in a future national strike by the manuals over pay provided the circumstances were similar and their sympathies were not alienated.

2.4 It is clearly important for endurance in any future dispute that the willingness of managers and supervisors to co-operate should be maintained and, where possible, reinforced. We do not suggest that overt measures, such as special pay arrangements, should be taken. Problems associated with such measures would almost certainly outweigh any benefits. Moreover, managers and supervisors have settled since the dispute on the basis of the same basic-rate increase as the manual workers over a twelve-month period. On the other hand, issues do arise from time to time on some narrow points which can have a disproportionate effect on the attitudes and goodwill of supervisors and managers in the industry. Unprofitable friction should be avoided, as should moves by the employers which could encourage the supervisors to ally themselves with the manuals or NALGO to take positive action in co-ordination with the other unions.

Other methods of improving endurance in the short term

2.5 A number of other steps might be taken to increase endurance in a water strike and to limit the inconvenience caused to consumers. These are:

(a) increasing the scope for using contractors;
(b) facilitating the restoration of main water supplies by individual consumers;
(c) more effective measures to deal with the occupation of premises by strikers;
(d) reducing the need for precautionary boiling of water supplies; and
(e) better methods of dealing with plumbosolvency.

(a) contractors

2.6 Most water authorities use contractors in normal circumstances for a wide range of tasks, although the use made of them varies widely as between different authorities. In most cases it is the larger firms of contractors who are employed, since these generally require less supervision from the water authorities than would small firms and they can perform a wider range of jobs. During the strike the majority of contractors, with very few exceptions, refused to undertake not only special tasks for the water authorities but also the work normally performed by them, because of their fear of being "blacked"

by the trades unions in the water and other industries after the end of the strike. This was despite strong pressure on employers' organisations, such as the Confederation of British Industry, and the fact that in some cases the contractors may have been in breach of their contracts and therefore may have risked legal action.

2.7 The water authorities recognise the need to ensure that contractors can and will be effectively used in any future strike. They are, therefore, taking covert steps to ensure that in the future they employ a much wider range of contractors, including small firms, on a substantially greater range of tasks. They are also considering what action to take to ensure that contractors are prepared to work normally during industrial disputes in the water industry. One method would be to include contract conditions which explicitly require work to be continued during industrial disputes. We recommend that the water authorities should be urged to make it clear to contractors that they will take legal action to ensure compliance with such conditions.

(b) facilitating the restoration of mains water supplies by individual consumers

2.8 Lord Denning expressed the view during the strike that consumers would in some circumstances have rights to take action themselves to restore their water supply once it had been cut off as a result of industrial action. His opinion has not been tested in the courts, and the Department of the Environment considers that there are serious weaknesses in his arguments. Under the Water Act 1945 it is an offence punishable by a fine of up to £200 for anyone to interfere "with any valve, cock or other work or apparatus belonging to the undertakers". Unskilled repairs could cause risk to the water main under repair and other equipment, to the quality of the supply, to the safety of consumers carrying out the works and to third parties. It may be desirable to clarify the law in order to avoid these risks. On the other hand, it would not necessarily be desirable to rule out action by consumers provided it were possible to ensure that any works involved were safely and competently carried out (by contractors, for instance). These matters will be included in the forthcoming review by DOE of water supply law.

(c) measures to deal with the occupation of premises by strikers

2.9 Strikers occupied a number of water authority premises, including water treatment works, sewage treatment works and a computer centre containing customer accounts records. In the event these occupations had practically no

effect on water services. However, they were embarrassing to water authorities in a number of ways, and had potentially serious consequences.

2.10 Water authorities' installations are widely scattered and often difficult to protect. If an unmanned water treatment works or pumping station were tampered with or sabotaged by occupying strikers, the supply to water consumers could be stopped or reduced. Although only a handful of cases of interference were reported during the strike, the risk is real and must be taken seriously. So water authority management mostly consider it imperative to get unauthorised occupants out quickly. It would be important, too, for water authorities to get trespassers out of any key installations in which managerial or supervisory staff were doing work normally undertaken by striking workmen. Similar considerations apply to some sewage treatment works and other installations.

2.11 Water authorities fear that in a future dispute sit-ins could be used as an effective tactic, not only to harry and embarrass management but also to deter supervisory staff and managers from making those exceptional efforts which are necessary if water supplies are to be maintained. They consider that they are at the moment in an unduly weak position to recover possession of premises if they are occupied or to prevent further occupation. Trespassers who have been told to leave can be physically ejected, provided no more than reasonable force is used; but even with hired security guards, that is unlikely to cope with organised sit-ins. The Police generally refuse to become involved unless a breach of the peace has taken place or is foreseen. The authority can seek a civil injunction against trespass, but such an injunction takes time to secure, and is limited to trespassers named in it, which makes it fairly easy for trespassers to avoid or evade. Alternatively the authority can seek an order under Rule 113 of the Supreme Court to remove unnamed trespassers from specified premises; but once that is done the order is spent and a further occupation, there or elsewhere, requires another order.

2.12 As the law now stands, it would be possible to declare a State of Emergency, and by regulation to make loitering and trespass criminal offences. The legality of this step might be called into question, and Ministers might be reluctant to take it to deal with occupations which the strikers and the media might seek to represent as no more than publicity stunts. The Department of the Environment therefore considers that there is a case for finding some new legal protection for water undertakers' premises essential to the maintenance of vital services. It will include in its review of water supply law the case for a

change in the law of trespass, or for specific emergency powers, to enable water authorities to invoke the help of the police to deal more quickly and effectively with occupations in any future dispute. Any proposal for change in this area of the law would clearly have both practical and political implications which would need to be considered collectively by Ministers in due course.

(d) reducing the need for precautionary boiling of water supplies

2.13 Advice to boil drinking water was widely and often quickly issued by water authorities; by the end of the first week of the strike 5½ million people had been advised to boil drinking water and by the end of the strike this had increased to 8 million. For the most part water authorities advised people to boil because they had doubts about the adequacy of the disinfection processes and could not guarantee the bacteriological quality of the water supply. In a few parts of the North West, Cornwall and Wales the advice was shown to be necessary because routine tests gave indications of bacteriological contamination of water supplies.

2.14 The inconvenience to large numbers of people and the cost they incurred in boiling drinking water gave the impression that the strike was more effective than was actually the case. It would be desirable in any future strike to restrict the issue of boiling advice to areas of real need and to reduce as far as possible the issue of precautionary boiling advice. This has been made clear to water authorities by the Department of the Environment and water undertakings have been asked to make appropriate modifications to treatment plant and chlorination systems to help to ensure that disinfection processes are protected and can continue working unattended for a considerable period.

(e) lead problems

2.15 In a few parts of Manchester, Deveon, Cornwall and West Wales cessation of lime dosing led to high concentrations of lead in tap water in houses with lead plumbing. As a result in some areas pregnant women and parents of young children were advised to take extra precautions including drawing drinking water from standpipes. Water authorities were already undertaking extensive work before the strike to reduce plumbosolvency and are now looking for greater automation.

Powers to control the use of water

2.16 The operating endurance of water systems is improved if consumption is reduced. The lower the water pressures required and the smaller the volumes of water to be put into supply the longer pumps and other mechanical plant will continue without breakdown and the longer stocks of chemicals will last. Burst pipes have the same effect as increased demand. Accordingly it is desirable in a strike - all the more when bursts are left to run - for the public to reduce its consumption of water. Water authorities made appeals during the strike for economy in the use of water, but these were largely ignored or were ineffective after a few days. In some places demand actually increased after such appeals while in others savings of about 10 per cent were achieved. Assessing the extent of economies being made was complicated by the increased distribution losses arising from unrepaired bursts.

2.17 It is for consideration whether the Government should take powers to control the use of water in specified situations along the lines of those relating to energy supplies contained in the Energy Act 1976. In the case of the energy industries, the effects of a strike could be felt very quickly and it would generally be impracticable for the industries to arrange for supplies to be maintained by other means. There is therefore a need for powers to be immediately available to Ministers to control the use of energy and to authorise the organisation of rota cuts, petrol rationing or whatever the situation demands. This is not true of the water industry. Had Ministers analogous powers, they would be under pressure to use them quickly to reduce water consumption and possibly also to relieve water undertakers of certain statutory obligations such as the duty to supply water. Reducing consumption, though helpful, would not make a major contribution to mitigating the effects of the dispute. Suspending water undertakers' duty to supply water would relieve them of the pressure, which they came under to good effect during the strike , to find ways of fulfilling their statutory obligations. We therefore do not recommend legislation along these lines.

The use of Servicemen

2.18 The military plan (known at the time of the strike as KEELMAN) relating to England, Wales and Scotland involves the use of some 9,500 Servicemen (plus up to 50 per cent more in support) to assist water industry supervisory staff in maintaining basic water services. A similar plan, FOOTWAY, applies in Northern Ireland. The plans also include provision for the formation of four

mobile emergency repair teams (MERTs) to assist with the repair of, for example, a major water main or the failure of a key installation; and two construction groups (CGs) to deal with tasks such as the repair of aqueducts. The military plans were activated at the start of the strike and by midnight on 24 January the Servicemen required were at six hours notice to move and those involved in the advance reconnaissance parties, the MERTs and the CGs were at shorter notice. Thereafter the Servicemen were kept at varying periods of notice throughout the dispute. At no stage did events require Ministers seriously to contemplate the use of Servicemen. The judgement of the Departments concerned was and remains that using Servicemen would have seriously exacerbated the dispute and probably led to the withdrawal of co-operation by a large proportion of middle managers and supervisors; and the nature of the dispute might also have changed significantly. As a result, it seemed likely that any attempt to use Servicemen on a large scale would have shortened rather than improved endurance of this strike. The use of one of the MERTs or CGs to carry out a particularly important repair and then withdraw might have proved possible without seriously exacerbating the dispute, but much would have depended on the circumstances at the time.

2.19 We therefore recommend that the Civil Contingencies Unit should review present plans for Service assistance in the light of the experience gained during the strike.

Longer-term possibilities: franchising and contracting out

2.20 The question arises whether in the long term endurance of a water strike might be substantially increased through major changes in the structure and organisation of the industry. Greater contracting out by water authorities possibly extending to the franchising by them of some or all of their operations might help to reduce union power in the industry. Whether it did so in practice would depend on how far the franchisee's workforce was unionised and, if so, whether the unions concerned would engage in concerted industrial action in the water industry. A judgement about the advantages and disadvantages of franchising will need to assess the possible industrial relations benefits as well as other economic considerations. It is already Government policy to encourage contracting out from the public to the private sector, and the experience of the water strike will have enabled water authorities not only to adopt a more robust approach to increasing the scale of contracting out but also to identify precisely which tasks might usefully be contracted out to the

private sector from the point of view of prolonging endurance and defeating industrial action. We therefore recommend that water authorities should be encouraged, in the context of the Government's general policy of promoting contracting-out, to explore these possibilities fully.

SECTION III : HANDLING OF PAY NEGOTIATIONS

3.1 The settlement reached, which has been estimated to cost 10.4 per cent in a full year, was exceptionally high in relation to other settlements in the current round (eg. coal mining 6.5 per cent, an average in the public trading sector of just over 6 per cent, and an average for the whole economy of just under 5½ per cent). As it turned out the high settlement in the water industry does not appear to have had repercussive effects; in particular the settlements for the electricity supply manuals and for the gas supply manuals, which came soon afterwards, were considerably lower at 5.7 per cent and just over 5 per cent respectively and that for the local government manuals was at 4.87 per cent. It is nevertheless important to try and understand why the pay settlement turned out the way it did in case there are any lessons for the water industry or for public sector pay negotiations more generally.

3.2 It is likely that the outcome was determined mainly by reasons which were peculiar to the water industry at this particular time. The water industry unions happened for various reasons to have had particularly high aspirations and to be in a particularly militant frame of mind. The employers, who had not in recent years been robust negotiators, found themselves, for various reasons, to be in an exceptionally weak position both organisationally and in public presentation.

3.3 The main factors affecting the union attitude were as follows:

i. <u>The grievance about comparability with gas and electricity workers</u>
Although the settlement following the 1978/79 comparability study was intended by the employers to dispose of the traditional but largely out-dated links with gas and electricity, the unions and workers took the view that the study showed that there were many jobs with comparable work content, and the progressive erosion of the water workers' earnings position in relation to those other industries became increasingly unacceptable to them. The agreement, as part of the 1982 settlement, to joint consideration of the unions' representations on improving their relative earnings position (albeit without commitment), enabled the unions to articulate their sense of grievance not only on the gas/electricity issue but also on their longstanding demands for indexation because of the essential nature of their work. This led to the demand for parity with the upper quartile

of manuals' earnings. The way in which the union leadership handled their demand in the informal discussions and initial pay negotiations thus committed them, unlike union leaders in most other industries this pay round, to seeking a settlement which would have to be considerably in excess of the going rate.

ii. The abolition of the National Water Council (NWC)

The intention to abolish the NWC, announced during the informal discussion on relative earnings and before the main pay negotiations began, was to an extent genuinely regarded by the unions as representing an attempt by Government to undermine their industrial muscle in future pay bargaining, and it provided an additional incentive and excuse for them to make progress in their upper quartile aspirations before the existing pay arrangements were terminated. Also they may have thought the circumstances of Sir Robert Marshall's departure as Chairman of NWC, just when the main negotiations were about to start, would lead to some instability on the employers' side which they would be able to exploit.

iii. The need to outflank rank and file militants

Union leaders in earlier years had found difficulty in controlling more militant members, and there were signs that the militancy was increasing. It seems likely that a conscious decision was made by the union leaders to adopt negotiating tactics which would enable them to outflank the militants and retain control.

iv. Inter-union rivalries

In the water as in other industries, it is clear that GMBATU felt itself under pressure from NUPE's invariable determination to display a greater militancy both in targets set for pay and in a greater readiness to contemplate industrial action. This was seen as posing a threat to influence and to membership. In both 1981 and 1982 GMBATU had used its majority to outvote NUPE on the unions' negotiating body to agree a settlement. It is probable therefore that in its approach to these negotiations GMBATU was determined to maintain its leadership and to avoid any possibility of appearing to be less resolute than NUPE in the formulation and pursuit of the claim. Its customary generally moderating influence was absent.

3.4 The main factors affecting the employers' position were as follows:

i. The belief that it would be very difficult to withstand an all-out strike

As explained in Section I of the report there was a longstanding belief in the industry that an all-out strike would quickly have very serious consequences. It was thought that the supervisors would not be prepared to co-operate or that, if they did, managers and supervisors could not cope for very long. Governments had tended to give the industry the impression that they were reluctant to contemplate a strike in this essential service. The longer the strike, the more management developed confidence in their ability to cope (even though they were never entirely sure that a sudden change of circumstances might not occur). But by the time this stage was reached the mediation process had taken place. Although mediation failed, it had established a pattern for the development of the negotiating process which, in the face of public and other pressures, the employers would have found it difficult to renounce. In short, by the time they were in a position to perceive the extent of their ability to cope, they were too committed to exploit it fully.

ii. The organisational problems in the industry

In recent years Sir Robert Marshall, the Chairman of the NWC, and therefore of the Combined Employers Committee, had played an important part in determining the industry's pay strategy. Despite his impending departure in somewhat strained circumstances, he was involved in the development of the initial strategy this time. The change of leadership at a crucial time in the negotiations inevitably led to some transitional problems which may have compounded the inherent difficulties in the industry arising from the need to achieve a consensus on strategic and policy issues in pay negotiations to satisfy 10 autonomous water authorities and the representatives of the 28 water companies. It also contributed to the difficulties in the publicity field (discussed at 3.24 below).

iii. Government stance

The normal stance of the Government in public sector pay negotiations is to try and influence the employers' thinking at a formative stage

so that pay offers and handling of negotiations take adequate account of the Government's wider economic objectives, but to do so in such a way that the prime responsibility still rests and is seen to rest with the employer. Because some of the water negotiators felt that they were irrevocably committed to open negotiations at 6 per cent by the earlier decision of the Combined Employers Committee (taken in the light of i above) the Government had to take a firmer line than would normally have been necessary. It was necessary (because of the problems arising from ii above) to talk to the employers' representatives individually to convince them that a decision would lead to unsound negotiating tactics and to persuade them in view of this and the potential embarrassment to the National Health negotiations, then at a critical stage, to hold their initial offer to 4 per cent. This quickly became known and seriously undermined the employers' position throughout the negotiations.

3.5 Against this background it was probably inevitable that the dispute would only be resolved with a settlement considerably higher than the average. The lessons which appear to emerge are as follows:

For the water industry

i. that within the bargaining machinery agreed after the disappearance of the NWC the employers must improve their ability to handle pay negotiations;

ii. that the endurance demonstrated this time in withstanding the strike means that employers in the water industry can, in circumstances which are not significantly different, adopt a more robust approach to negotiations (though they must expect that the unions will also reconsider their approach).

More generally

iii. that employers in the public sector should be encouraged to think constructively about the scope for withstanding industrial action and improving their bargaining position vis a vis their unions and to assess their capacity to endure such action as realistically as possible;

iv. that, in reaching settlements, employers should, as far as possible, avoid storing up trouble for the future by entering into forward commitments, however carefully hedged, about improving the relative earnings position of their workers;

v. that, although there were inescapable reasons for the Government's intervention in the water industry's initial offer in November 1982, the Government should ensure that its interest in public trading sector pay negotiations is pursued in a way which avoids undermining the employer's sense of responsibility and the public's - and unions' - perception of that responsibility.

3.6 In addition to these major factors which influenced the outcome of the water industry pay dispute, there are some particular points which require more detailed analysis.

Enforceability of binding arbitration and other procedural agreements

3.7 It is the Government's policy to encourage employers in the public sector to terminate, as opportunity permits, agreements providing unilateral access to arbitration on the grounds that employers should not be obliged to refer a case to a third party unless they see definite advantage in so doing. It was an unusual feature of the water industry dispute that the employer sought to take advantage of an agreement providing unilateral access to binding arbitration. In accordance with the general strategy agreed by the Combined Employers Committee, this was done initially on 11 November when the unions rejected the employers' opening offer. The desire to refer the dispute to binding arbitration, failing a negotiated settlement, was a consistent feature of the employers' position throughout the dispute. The settlement which eventually emerged was arrived at by a special variant of binding third party determination, a Committee of Inquiry followed by a full, final and special meeting of the industry's negotiating body (the NJIC) to translate the findings into a detailed workable agreement which was to be held under ACAS chairmanship as soon as the Committee of Inquiry had reported.

3.8 It is likely that the employers adopted this course of action for several reasons. Primarily, they were faced at the outset by the unions' refusal to withdraw the upper quartile parity demand, to which they were not prepared to make any concessions; but they were confident that they could defeat the unions' case through third party determination. Also they believed that by invoking

arbitration they might head off further industrial action which was clearly a possibility after the earlier one day strike. In devising their initial strategy they took the view that arbitration, linked to an offer of 6 per cent, would be enough to deter the more moderate workers from agreeing to industrial action, and so would deter the unions from extreme action. Subsequently it provided them with a reasonable posture at a time when they were unable to move away from their low 4 per cent opening offer and it provided an effective riposte thereafter to the charge that the employers were under Government control and were in consequence unable to show any flexibility. In deciding on their approach the employers were no doubt conscious of successful past references to arbitration, and, in particular, that of three years ago over the pay of Chief Officers.

3.9 With the benefit of hindsight, it is clear that provisions in agreements allowing unilateral access to arbitration are useless if either party can muster and sustain a tolerable argument for refusing to co-operate. Arguably the employers should have foreseen this possibility in the water negotiations given the militancy of the unions reflected in the one day strike: it was an entirely different situation from that of the Chief Officers. Moreover, when the employers invoked the arbitration provision as soon as their initial offer was rejected, this gave the unions the excuse of arguing that there had been no genuine negotiations, even though the arbitration provision did not explicitly require this. Subsequently the unions persisted in the same argument despite several improvements to the offer by the employers. Even so this did not give rise to a movement in public opinion against the unions and in favour of the employers despite the emphasis Government laid in public debate on the unions' breach of agreements. In short, the fact that the employers had raised the issue of arbitration so early undoubtedly inhibited them from taking full advantage of it in public debate. This episode is evidence against the view held hitherto in this industry and in some other organisations that unilateral access to binding arbitration should be retained because it could be as beneficial to the employers as the unions, and supports the opposing view that arbitration by joint agreement only is safer and more likely to lead to realistic bargaining.

3.10 It is also arguable that the heavy reliance of the employers on arbitration as a way of settling the dispute acted against their interests in other ways. Publicly favouring, as they did, third party determination, there was more public pressure on them than on the unions to make that process work.

Thus the employers were led into interim procedures (the conciliation and mediation immediately preceding the beginning of the strike on 23 January) which did not, in the event, result in arbitration. It is possible that events might have followed a similar pattern whether or not the employers had been committed at that stage to arbitration. As it turned out, however, the conciliation and mediation may have raised the floor for the eventual settlement. When at last the unions were brought to agree to a form of final and binding arbitration the lack of any prospect of subsequent negotiations inevitably affected the atmosphere in which the Committee operated. As a result, although the arbitration resulted in the implicit rejection of the unions' claim for upper quartile parity and did indeed succeed in bringing the dispute to an end, it did not work out in practice as well as the employers had, rightly or wrongly, hoped.

3.11 The lessons under this heading appear to be as follows:

i. there is further reinforcement for the Government's policy of encouraging employers in the public sector to terminate, as opportunity permits, agreements providing unilateral access to arbitration.

ii. there is further evidence that unions find it somewhat easier than employers to escape from their obligations under procedural agreements whether general or (as in the case of that of 21 January) specific; it is therefore unwise for employers to assume that they will necessarily be able to take full advantage of such agreements when the realities of bargaining power point in a different direction; (in the Conservative Manifesto of 1983 the Government undertook to "consult further about the need for industrial relations in specified essential services to be governed by adequate procedure agreements, breach of which would deprive industrial action of immunity").

Settlements lasting for longer than 12 months

3.12 It is an unusual feature of the water industry settlement that it is to last for 16 months. As part of this arrangement the annual increase in the basic rate offered by the employers on 22 January of 5.5 per cent was increased to 7.3 per cent in the mediator's report, and this formed part of the eventual settlement. It had been an objective of the employers for some time to change the settlement date from early December to 1 April and this was one of the proposals put on the table by them in informal discussions with the unions in

the spring and summer of 1982. They saw advantage in removing the water industry from the front line of pay negotiations in the public trading sector. With a settlement date in early December the water industry negotiations tended to follow close on the heels of the miners' pay negotiations. A settlement date of 1 April is broadly in line with other negotiations in the public utilities, notably gas and electricity, but later than the local authority manuals' negotiations.

3.13 It remains to be seen whether this change will be permanent and whether it will turn out to be advantageous. From the point of view of endurance there is probably not much to choose between industrial action in the late winter or early spring. The benefit of fewer burst pipes may, as the weather gets warmer, be offset by more problems of low river flows, pollution and water treatment, and higher demand for water. From the point of view of the pay round as a whole, it could prove disadvantageous to have the pay negotiations for electricity, gas and water all taking place at about the same time, but this needs to be set against the potential disadvantage of having the water manuals' settlement date close to that of the miners.

3.14 Finally, there is the disadvantage with the 16-month deal of a basic rate settlement about one-third higher than it would otherwise be. Although strenuous efforts were made to present the settlement at a lower figure on a 12-month basis, these had only limited success. It should be noted also that the higher figure enters into earnings figures for the current year in full and any benefit from the longer period of the settlement emerges only in the earnings figures for the subsequent round.

3.15 The lesson would appear to be that the advantages and disadvantages of settlements lasting for more than 12 months need to be weighed very carefully and that, in discussions with public trading sector employers, the Government should examine carefully whether the alleged benefits to the management are real and outweigh any wider difficulties for the pay round as a whole.

Negotiations about productivity and other "non-basic rate" elements

3.16 The level of the water industry settlement was affected not only by the change in the settlement date but also by the inclusion of a number of "non-basic rate" elements. Some of these, ie the payments for agreeing to flexible working hours and to credit transfer for wages, were self-financing.

Others were not, eg the consolidation of the £5 per week bonus and extension of the service supplement.

3.17 The possibility that some 'non-base rate' elements would feature in the water manuals' negotiations last year arose from the provision in the January 1982 settlement that joint consideration would be given to the unions' representations on improving relative earnings, albeit without commitment and outside pay negotiations. At the employers' insistence the provision made it clear that they would want "corresponding benefits of equivalent value for management and customers." In the informal joint discussions which followed the employers made it clear that they rejected the unions' case for upper quartile parity, but they tabled proposals based on longstanding managerial objectives (change of settlement date, flexible hours, credit transfer of wages, strike ballots etc) for which they were willing to pay what they were worth. The unions demanded commitment to the upper quartile parity principle before they would consider any of these proposals and an impasse was reached. The unions then carried forawrd their claim formally as part of their annual wages claim. The employers categorically rejected it in their initial response, and took the view that it would be futile to table any of their own proposals at that time. It was only during the mediation when they deployed their (subsequently successful) case rejecting the upper quartile parity claim that they felt able to put their own self-financing proposals on the table without the risk that they might be regarded as a concession to that claim. The mediator rejected the unions' arguments for upper quartile parity, or for relative earnings to be restored to some previously-held position. He recommended a 16-month settlement on a pro-rata basis and an increase in service supplement (arising from a prior joint commitment) and, in recognising that a sense of grievance existed, also recommended that both sides should urgently explore ways in which earnings opportunities might be increased, quoting, as examples, payment of wages by credit transfer and extension of performance related schemes (paragraph 8 of the report). But he did not explicitly say that the earnings opportunities would have to be self-financing. The mediator made his report on the very eve of the strike. It was immediately accepted by the employers, whose offer based on the report was rejected by the unions. It took four and a half weeks to resolve finally how improved earnings opportunities might be provided.

3.18 Once the unions had made it clear that they were not willing to accept the mediator's recommendations and the employers' proposals on credit transfer of wages and flexible hours as the basis for a settlement, there were public

pressures on both sides to find an agreement under the terms of the somewhat ambiguous paragraph 8 of the mediator's report. The difficulty for the employers was that there remained only limited scope for further improving earnings opportunities on a 'something for something' basis. They therefore proposed some relatively selective and small improvements in productivity payments and a joint working party under ACAS chairmanship to examine the possibilities of reducing working hours by 1 hour as a lead in to flexible hours (with a £4 minimum payment) and the credit transfer of wages. These proposals were ignored by the unions who were insisting on more new money 'up front'. Subsequently in its award the Committee of Inquiry introduced the relatively costly consolidation of £5 bonus and extension of the service supplement scheme, as well as the actual implementation of reduction in hours in 1984, flexible hours and credit transfer.

3.19 During the negotiations the impression appears to have been gained that the employers' proposals on improved earnings opportunities, albeit on a 'something for something' basis, were worth more to the workforce than was the case. In the informal discussions they refused to quantify their proposals. Paragraph 8 of the mediator's report could imply that he had misunderstood the employers' position on improved earnings opportunities, but they would claim that they had not misled him about the possible scope of these opportunities and what they might provide. Mr Hill's snap answer in a radio interview after mediation had failed and before negotiations under ACAS were resumed that improvements in line with paragraph 8 might be worth £5 to £10, however, certainly stirred up unwarranted expectations and, despite later qualification by him and the Government that this did not represent new money and was only available to particular individuals on a 'something for something' basis, played to some extent into the unions' hands.

3.20 Whether or not there are any grounds for criticism of the water employers' handling of this aspect of the negotiations, there appear to be some general lessons. Great care should be taken by the employers to avoid giving any impression that substantial pay improvements may be possible on a 'something for something' basis in circumstances where the scope for such arrangements, on a genuinely self-financing basis, is in practice very limited. The employers' position may be misunderstood or misrepresented and expectations may be aroused which are difficult to fulfil without departing from the self-financing principle. The use of 'something for something' items in negotiating tactics should be weighed very carefully and, if they are adopted, the employer should

have as clear an idea as possible of their cash value and of their application in order that nothing is said in negotiations and discussions with third parties, or publicly, that can give rise to accusations of deliberate attempts to mislead or to unnecessary misunderstandings.

Management tactics: management ballot: appeals to the workforce

3.21 From time to time during the course of the strike the employers considered whether there was any action which they could usefully take to encourage a return to work by going over the heads of the union leaders. One such tactic, a management ballot, was not adopted because at no time during the dispute could the employers be at all confident that it would produce the right result. With hindsight their judgement was clearly right. Even if the mood of the workforce had been different, there would have been the additional consideration that as there was a near-constant search for a means of an early settlement a ballot might have prolonged the strike unnecessarily. The employers did, however, consider in the third week of the strike whether a public general promise of job security for those who returned to work (thus in effect breaching the closed shop agreement which expires in any event in September 1983) would provoke a break in the strike.

3.22 In the event the employers decided not to take this step. In part they were influenced by their anxiety that such a step might provide the unions with an excuse to withdraw emergency cover, although, as Section I of the report shows, the provision of emergency cover was not, in the event, a major element in prolonging endurance. A more important consideration was the assessment of the general attitude of the workforce. Although there was some evidence of growing rank and file discontent about the loss of earnings resulting from the strike, and resentment about union leadership locally, it is not now thought, with the benefit of hindsight, that a management appeal of the kind envisaged would have been effective at any time up to the end of the strike. Although the strike was prolonged considerably beyond the initial expectation of union leaders and their members there was never any significant weakening of support for it. The accumulating loss of earnings may have provided some greater resolution to prosecute it further to secure a favourable settlement. As discussions continued on how a settlement might be reached the strikers retained an incentive to remain on strike for some while longer.

3.23 There is thus no new lesson to be drawn. Judgements about the effectiveness of management tactics designed to go over the heads of union leaders, such as management ballots and appeals to the workforce, have to be made in the light of the particular circumstances as a dispute develops. As has long been recognised such tactics are not likely to be effective unless there is ample evidence of a widespread crumbling of morale among the workforce, so that the management is, in practice, pushing against a door which is already partly open.

Publicity

3.24 It is a marked feature of the 1983 water industry dispute that, although the unions had a fundamentally weak case, this was not substantially exploited to their disadvantage in the media. The case was weak because they represented a group which was not markedly underpaid and was not engaged in particularly unpleasant work; they were seeking an increase which was well above the going rate; they consistently acted in breach of their agreements; and they were causing inconvenience and hardship to the public. Although the water workers never succeeded in securing much public sympathy for their cause, the general disposition of the media was to present both employers and unions as having handled the matter badly.

3.25 There were two main reasons for this which have already been brought out in the analysis earlier in this section of the weakness of the employers' negotiating arrangements. The first consideration is that the employers were not equipped either organisationally or personally to handle the press and public relations aspects of a major dispute, whereas the unions undoubtedly were. Secondly, as a consequence of this, the Government was compelled to intervene in the presentation of the employers' case as well as in its substance. This increased the difficulty of maintaining that the employers were genuinely in charge of the negotiations. It was difficult to stimulate and orchestrate the employers' media activities at second hand, and, when the employers did take public relations initiatives in response to Government pressure, they usually backfired through mishandling.

3.26 The lesson is that, in a major industrial dispute in the public trading sector, it is essential that the employer should, from the outset, be well equipped to handle press and public relations and should recognise that this is likely to be a major factor in winning the dispute. The aim should be that Government involvement, either in making statements or in trying to stimulate

and manage the employers' public relations effort, is minimal. The DOE is considering how the water industry can best be encouraged to take advantage of this lesson in the new pay arrangements for the industry.

SECTION IV : PROSPECTS FOR 1984 NEGOTIATIONS

4.1 The Group considered how far the experience and outcome of the 1983 water industry dispute would affect the next round of negotiations for the water industry manual workers now likely, following the change of settlement date, to take place in the spring of 1984.

4.2 The dispute is likely to have affected the attitudes both of the employers and of the unions to industrial action. The employers' success in withstanding the strike should, so long as they can rely on the continued co-operation of management and supervisors, increase their readiness to face up to and withstand industrial action. The unions ought to be less ready to contemplate a strike. Experience suggests that the same group of workers is usually reluctant to engage in major industrial action for a second year running. The fact that the strike went on for as long as four and a half weeks should make it more difficult for union leaders to persuade their members that the threat of a strike is likely to produce a high settlement at little cost to their earnings.

4.3 The settlement of the 1983 dispute is also likely to have some effect on the unions' stance in the 1984 negotiations. The employers derived much comfort from the fact that the mediator's report explicitly, and the eventual findings of the Committee of Inquiry, rejected the unions' claim for parity with the upper quartile of manual workers' earnings. It would be unrealistic to assume that earnings of this order will not remain the unions' eventual objective. However, the fact that the 1983 settlement was well above the going rate will in practice have done something to improve the water workers' relative earnings position. It seems probable therefore that the unions will avoid formulating their claim in 1984 with precise reference to the objective of upper quartile parity and that they will in practice seek a settlement which maintains the water workers' relative position in the pay league but does not go beyond this.

4.4 The Group therefore felt that although there was not a strong risk of a strike in 1984, there would be a continuing dnager of major industrial action in the water industry and that there was a strong case for taking the measures referred to in Section II of the report with a view to improving endurance of a water strike.

SECTION V : SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Likely endurance of a water strike

5.1 Actual endurance of the 1983 water strike was 4½ weeks and evidence suggests that it could probably have been endured for considerably longer - perhaps up to a further month or more.

5.2 Although endurance was assisted to some extent by the relatively mild winter and the fact that no major breakdown in supplies occurred, it was critically dependent on the high degree of co-operation not only from higher management but also lower management and supervisors who were prepared to do more than their normal work, contrary to instructions from their unions.

5.3 Whether this degree of co-operation would be forthcoming in a future strike is a matter of conjecture. However in circumstances such as those of 1983 where the manual unions moved quickly to an all-out strike and where the merits of their case, as perceived by the managers and supervisors, did not seem strong, the probability is that a similar degree of co-operation in maintaining services would be forthcoming provided the circumstances did not alienate the managers and supervisors.

5.4 Endurance was not dependent on the maintenance of emergency cover by the unions in line with the industry's closed shop agreement. When the closed shop agreement expires in September, the industry will not seek to renegotiate either that agreement or a separate new agreement on emergency cover during industrial disputes.

Steps that might be taken to increase endurance

5.5 The main way in which endurance of a future strike in the water industry might be improved is by making the water purification and distribution systems more robust and more automatic in operation, thus reducing dependence on manual workers. Automation of filter washing, chemical dosing, sludge handling etc is already in hand as part of many water authorities' normal investment, and has been given a new priority in some places following the strike. As a specific response to the strike, action is being taken to duplicate some key mains and to provide extra connections to alleviate problems of pipe bursts; and the physical security of installations is being improved.

5.6 The critical importance of managers and supervisors in withstanding a strike should be kept in mind and, although it is not suggested that they should be given specially favourable pay arrangements, care should be taken in the handling of these groups to avoid unprofitable friction which could encourage the supervisors to ally themselves with the manuals or NALGO to take positive action in co-ordination with the other unions.

5.7 Endurance was reduced because the majority of contractors employed by the water authorities refused to undertake not only additional work but also their normal work, for fear of being "blacked" after the end of the dispute. It is important to ensure that contractors can and will be used effectively in any future strike. We recommend that water authorities should be urged to consider making it clear to contractors that they are prepared in the future to take legal action against those who are unwilling to undertake normal work and that future contracts should explicitly require work to be continued during industrial action by water workers.

5.8 Action is already in hand or is recommended in the following areas:

i. clarification of the law relating to action taken by consumers to restore water supplies;

ii. review of the case for changes in the law relating to trespassing on water premises, and the wider implications;

iii. guidance urging water authorities to restrict the issue of boiling advice in any future strike to areas of real need; and to complete physical measures to increase endurance, for example by giving attention to chlorination and plumbosolvency control processes, to telemetry and to associated improvements to physical security;

iv. review by the Civil Contingencies Unit (CCU) of the plans for service assistance;

v. encouragement to the water authorities, in the context of the Government's general policy of promoting contracting-out, to explore the scope for franchising some or all of their operations.

5.9 The Group does not recommend that the Government should take powers to control the use of water in specified situations along the lines of those relating to energy supplies in the Energy Act 1976.

Handling of pay negotiations

5.10 The settlement reached (10.4 per cent in a full year), although exceptionally high in relation to other settlements in the current round, does not appear to have had repercussive effects.

5.11 The outcome was mainly determined by circumstances peculiar to the water industry at this particular time, notably: the grievance about comparability with gas and electricity workers dating from the 1978/79 study; the abolition of the National Water Council; union politics; the employers' late appreciation of their ability to cope with a strike; organisational problems in the industry; and the fact that the Government had to intervene to hold the initial offer at 4 per cent because of the National Health Service negotiations, and that this intervention quickly became known publicly.

5.12 The main lessons appear to be:

For the water industry

i. that within the bargaining machinery agreed after the disappearance of the NWC the employers must improve their ability to handle pay negotiations;

ii. that the endurance demonstrated this time in withstanding the strike means that employers in the water industry can, in circumstances which are not significantly different, adopt a more robust approach to negotiations (though they must expect that the unions will also reconsider their approach).

More generally

iii. that employers in the public sector should be encouraged to think constructively about the scope for withstanding industrial action and improving their bargaining position vis a vis their unions and to assess their capacity to endure such action as realistically as possible;

iv. that, in reaching settlements, employers should, as far as possible, avoid storing up trouble for the future by entering into forward commitments, however carefully hedged, about improving the relative earnings position of their workers;

v. that, although there were inescapable reasons for the Government's intervention in the water industry's initial offer in November 1982, the Government should ensure that its interest in public trading sector pay negotiations is pursued in a way which avoids undermining the employers' sense of responsibility and the public's and unions' perception of that responsibility.

5.13 There also appear to be the following more detailed lessons:

i. the employers' tactic of invoking unilateral access to binding arbitration did not work out as they anticipated; this further reinforces the Government's policy of encouraging employers in the public sector to terminate, as opportunity permits, agreements providing unilateral access to arbitration; it demonstrates also that it is somewhat easier for unions than employers to escape from their obligations under procedural agreements and that it is unwise for employers to assume that they will necessarily be able to take full advantage of such agreements (subject to any future changes in industrial relations law designed to discourage the breach of procedure agreements in essential services);

ii. it remains to be seen whether the advantages of the 16-month settlement in this industry outweighed the disadvantages; in future discussions about similar proposals with public trading sector employers the Government should examine carefully whether the alleged benefits for the management are real and outweigh any wider difficulties for the pay round as a whole;

iii. great care should be taken by employers to avoid giving any impression that substantial pay improvements may be possible on a "something for something" basis in circumstances where the scope for such arrangements, on a genuinely self-financing basis, is in practice very limited; the employers' position may be misunderstood, and expectations aroused which are difficult to fulfil. An employer should have as clear an idea as possible of the cash value of such items and of their

application in order that nothing is said in negotiations and in discussions with third parties, or publicly, that can give rise to accusations of deliberate attempts to mislead or to unnecessary misunderstandings;

iv. the employers were not equipped either organisationally or personally to handle the press and public relations aspects of a major dispute; the Government was therefore compelled to intervene in the presentation of the employers' case (which increased the difficulty of maintaining that the employers were genuinely in charge of the negotiations), and to try and orchestrate the employers' own activities at second-hand which proved ineffective; in a major dispute in the public trading sector it is essential that the employer should, from the outset, be well equipped to handle press and public relations and should recognise that this is likely to be a major factor in winning the dispute, thus enabling minimal Government involvement either in making statements or in trying to stimulate and manage the employers' public relations effort.

Prospects for 1984 negotiations

5.14 It is thought that the unions will be less ready to contemplate a strike in 1984 and that they will seek a settlement which maintains the water workers' relative position in the pay league but does not go beyond this. There is nevertheless a continuing danger of major industrial action in the water industry and there is a strong case for taking the measures referred to in Section II of the report with a view to improving endurance of a water strike.

Future pay bargaining in the water industry

5.15 Following completion of their report the Group considered how far it had a bearing on the issue under discussion by Ministers of whether, following abolition of the National Water Council, future pay bargaining in the industry should be on a fully decentralised basis or should, as the water authorities prefer, remain centralised in respect of basic pay and the items associated with it with all other matters including productivity bargaining devolved as far as possible.

5.16 The Group were agreed that within whatever bargaining machinery replaced the NWC the employers would need to improve their ability to handle pay negotiations and to be better equipped both organisationally and personally to handle the perss and public relations aspects of a major dispute.

5.17 The Group noted that the employers feared that fully decentralised arrangements might give rise to a greater sense of identity of interest between the white collar and manual workers. That is not easy to judge, but if it were so it would be a serious disadvantage since endurance of a water strike is critically dependent on co-operation from management and supervisors. The Group also noted that the employers had taken a firm view in favour of partly decentralised arrangements and that the Government had publicly recognised that the new arrangements were a matter for the employers to decide in consultation with the unions. If it became public knowledge, as it probably would, that the employers had changed their position in response to Government pressure, the employers' credibility would probably suffer as occurred early in the recent dispute in November 1982 when the Government was widely believed to have had a decisive influence on the level of the employers' initial offer.

5.18 The Group noted that the points referred to in paragraphs 5.16 and 5.17 had some relevance to the issue but they did not consider that experience of the dispute provided conclusive evidence that either a fully decentralised or a partly decentralised system would be the best way of improving pay bargaining in the industry.

Cabinet Office

23 June 1983

ANNEX A

WATER DISPUTE: CHRONOLOGY OF MAIN EVENTS

1982

January	Pay settlement committed employers to give consideration to representations made by the unions on the position of water employees in relation to the earnings of manual workers in the economy generally, but on the understanding that employers would want corresponding benefits of equivalent value for management and customers; such consideration to be without commitment and outside pay negotiations.
March	Proposals by employers to improve earnings by changing the settlement anniversary date; staggered working hours; and payment of wages by credit transfer.
April	GMWU delegate conference and other unions endorsed claim for parity with manual earnings upper quartile.
May-August	Informal talks about union claim for upper quartile parity and employers' proposals for improving earnings.
July	Announcement that National Water Council (NWC) would be abolished and national pay agreements would terminate in September 1983.
21 September	Meeting of National Joint Industrial Council (NJIC). Union claim for upper quartile parity, going rate increase, increased holidays and reduction in hours costed by employers as minimum of 20.3 per cent. Employers deferred response until next meeting on 11 November. Unions called one day strike.
18 October	One day strike generally supported by manuals; little support from other groups; no significant operational effects.
27 October	Meeting of Combined Employers' Committee under Mr Hill decided on offer of 6 per cent and that, if unions refused to accept that or a 16 months pro rata offer, employers would invoke Clause 12 of the national agreement allowing unilateral access to binding arbitration.
28 October - 10 November	Minister (Mr King) discussed position with individual water chairmen and with Ministerial colleagues.
11 November	Mr King drew Mr Hill's attention to the problems an offer above 4 per cent that day could create for the NHS consultations then at a delicate stage. Meeting of NJIC at which employers offered 4 per cent and rejected upper quartile parity claim. Unions rejected offer. Employers invoked arbitration under Clause 12. Unions refused to make joint reference to ACAS on the grounds that there had been no meaningful negotiations, and notified their intention to recommend to their executives that members should be consulted with a view to full scale industrial action.

1982 contd

November - December	Press reports about pressure by Mr King on employers not to put 6 per cent on the table; public criticism by retiring Chairman of NWC, Sir Robert Marshall, of handling of the negotiations.

1983

7 January	Unions announced that members had agreed by 4 to 1 majority to reject employers' offer and to take industrial action to secure satisfactory settlement to claim.
14 January	Union executives endorsed strike action. Mr King informed Prime Minister that he had agreed with the Chancellor of the Exchequer that employers could improve offer to 5½ per cent over 16 months (4½ per cent on annual basis) but only if agreement could be assured. (Offer not made.) Employers made formal application to ACAS for arbitration; unions again refused to cooperate.
17 January	Unions announced decision to call national strike from midnight on Sunday 23 January, preceded by immediate ban on overtime, standby and call out.
17-22 January	ACAS drew up proposals and procedures for mediation leading, if necessary, to arbitration under Clause 12. Procedural agreement signed by unions and employers, the unions insisting that arbitration would be "in the last resort". Mr Buchanan appointed conciliator/mediator.
22 January	During conciliation employers improved offer twice (base rate to 5 per cent with proposals on flexible hours and payment of wages, then base rate to 5½ per cent with increase in service supplement); both offers rejected by unions.
23 January	Mediator's report, intended as basis for negotiated settlement, recommended against an increase to give upper quartile parity and for an increase of 7.3 per cent to run for 16 months, in addition to an increase in the established service supplement. Paragraph 8 referred to sense of grievance on parity issue and recommended urgent consideration of possibilities for improving earnings opportunities (quoting payment of wages by credit transfer and extension of performance related schemes, but not saying explicitly that any such improvements would have to be self-financing). All out strike began.
25 January	At NJIC meeting employers made offer reflecting mediator's recommendations and added in response to paragraph 8 proposals on payment of wages.

1983 contd

26 January	Unions rejected the offer, but sought endorsement from members (obtained on 29 January).
30 January - 5 February	ACAS discussions with the parties; the employers standing on mediator's recommendations with any new offer to be in line with paragraph 8; the unions seeking more money "up front". Government sought to focus public opinion on unions' refusal to honour agreements, ie the arbitration agreement and the procedural agreement of 21 January providing for mediation to be followed by binding arbitration. Mr Hill's remarks in a radio interview that paragraph 8 improvements were worth £5 to £10 per week widely regarded as doubling the existing offer; made clear by NWC and Government that these were earnings effects for particular individuals and that no new money, except under paragraph 8 conditions, was involved.
6 February	Special meeting of NJIC under ACAS chairmanship. Under paragraph 8 employers offered improved payments under water industry productivity scheme (WIPPS), working party to explore introduction of 38 hour week to allow for, and conditional upon, flexible working hours on a regional basis, and change in system for payment of wages. Unions did not respond but made it clear they were looking for an immediate increase of 2 per cent and further similar amounts equalling 8 per cent overall above existing offer.
7 February	Employers made further formal application for arbitration; unions refused to cooperate.
9 February	Statement by ACAS that expectations raised earlier by employers in public statement and subsequently dashed had prejudiced prospects of a settlement.
10-14 February	ACAS set up Committee of Inquiry, stating that it had received assurances that both sides would accept the resolution of the dispute through the process of the Committee of Inquiry and that a full, final and special meeting of the NJIC to translate the findings into a detailed workable agreement would be held under ACAS chairmanship as soon as the Committee of Inquiry had completed its work and reported.
19 February	Committee of Inquiry began work under chairmanship of Dr Johnston with Mr Brett and Mr Keys as employer and union nominees respectively.
21 February	Craftsmen went on strike.
23 February	NJIC met and made a settlement on the basis of the Committee's findings, of which the main features were: basic rate increase of 7.3 per cent for 16 months (as proposed by mediator)

1983 contd

23 February continued	increased service supplement (but to those with over 2 years' service rather than 5 years' as proposed by mediator)
	£5 per week payment for agreeing to flexible working hours (£4 previously offered by employers)
	£55 per week payment for agreement to credit transfer for wages (£50 previously offered by employers)
	£5 per week bonus to be consolidated with basic rates
	Overall cost of settlement estimated at 10.4 per cent.
24 February	Return to work by manual workers.
25 February	Return to work by craftsmen.

2

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

cc NO.

My ref:

Your ref:

Prime Minister 6 June 1983

Near the upper limit set for the negotiators by the Combined Employers Committee.

WR 8/6

Dear John

WATER INDUSTRY PAY

In negotiations on 1 June a pay settlement was reached for the water industry staff group representing an increase of about 5.6% on average earnings from the due settlement date on 1 July. The settlement provides for an increase to basic salaries across the board of 5.6%, which is equivalent to about 5.5% on average earnings, and an improvement in standby and call-out allowances equivalent to about 0.1%.

This result was in line with the employers objectives which I outlined in my letter of 23 May, and, when judged against the water manual workers settlement and the settlements made or in prospect for similar groups elsewhere in the public trading sector, it is probably as good ~~as~~ an outcome as could have been expected.

I am copying this to the private secretaries to the Prime Minister, to members of E(NI) and to Sir Robert Armstrong.

Yours sincerely

David Edmonds

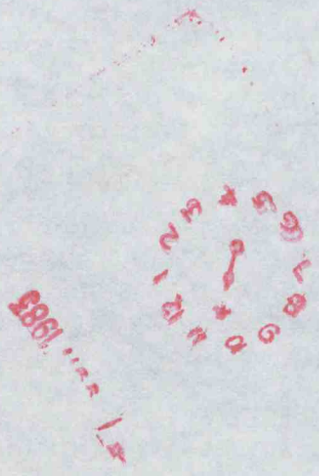
D A EDMONDS
Private Secretary

John Kerr Esq
PS/Chancellor of the Exchequer

Local GOV

water Manuals pay

pt 4



Dorman LOOSE 35

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

VCC NO

My ref:

Your ref:

23 May 1983

Dear John

WATER PAY NEGOTIATIONS: STAFF

Local Govt, Public Sector Pay, Pt 10

The Chancellor of the Exchequer drew attention in his letter of 17 May covering the Public Trading Sector Report to the negotiations for the water industry staff grades which resume on 26 May: the Report gives the background to the negotiations.

The Combined Employers Committee have set as the parameters for their negotiators, chaired by Sir Godfrey Taylor, that they are to seek to achieve a settlement as much below a ceiling of 6% as they can; it is to be a 12 month settlement based on a common percentage increase across the board; they are to focus exlusively on increases to basic rates except for a prior commitment on standby and call-out allowances which can be treated on its merits.

We have been in touch with Sir Godfrey Taylor and he is taking fully into account the settlements for comparable staff groups, such as the local authority APT&C (4.9%), and the latest developments in the gas and electricity staff negotiations. Although the negotiating team will not decide on its tactics and negotiating position until the morning of 26 May, he is determined that they should attempt to secure a settlement as close to 5% as possible and not to go beyond 5.6% which he considers is the 12 month equivalent of 7.3% increase on base rates awarded to the manuals.

Sir Godfrey's approach is reassuring and further involvement at this stage does not seem necessary.

I am copying this to the private secretaries to the Prime Minister, to members of E(NI), and to Sir Robert Armstrong.

Yours sincerely

D A EDMONDS
Private Secretary

John Kerr Esq

CONFIDENTIAL

FLK

RM

10 DOWNING STREET

From the Private Secretary

18 May, 1983

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

The Prime Minister was grateful for your Secretary of State's minute of 10 May about the future pay bargaining in the water industry. She has also seen the Secretary of State for Employment's letter of 12 May and the Chancellor's of 16 May on the same subject.

The Prime Minister shares the Chancellor's view that it would be premature to reach a conclusion now that we should continue with centralised determination of pay in this industry. She agrees, too, that it would be useful to have a second opinion from outside consultants, and hopes that officials can clear the ground so that an early start could be made after the General Election.

I am sending a copy of this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Robert Lowson (Ministry of Agriculture, Fisheries and Food), Adam Peat (Welsh Office) and to Richard Hatfield and Gerry Spence (Cabinet Office).

M. C. SCHOLAR

D. Edmonds, Esq.,
Department of the Environment

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Prime Minister (1) (flag B)
Please see Tom King's latest minute.
In view of X, and the Chancellor's letter (flag A), agree that I write supporting on your behalf a consultants' enquiry?
MLS 17/5

MR SCHOLAR

cc Mr Mount

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

Mr King's reply of 10 May to the Prime Minister adds nothing to his earlier letter and leaves several questions unanswered:

(i) If decentralised productivity bargaining (which is proposed) would enable each Water Authority to "keep a tighter grip" on productivity demands, why wouldn't the same argument apply equally to pay?

(ii) If centralisation shifts the balance in favour of the employers, as seems to be suggested, why do trade unions invariably prefer centralised arrangements?

(iii) Does Mr King accept the employers' argument that centralisation worked to their advantage during the strike? Their handling of the dispute was not impressive. Endurance of the strike owed more to the cheerful patience of the British public and to the loyalty of the white collar staff than to cohesion among the employers;

(iv) If the employers are so confident of their capacity to negotiate collectively, why is it proposed that the water industry's pay bargaining should be serviced by LACSAB?

Our feeling in the Policy Unit is that no decision should be made yet. The issues are difficult and we would benefit from a second opinion from outside consultants, possibly those who have already advised on arrangements in the industry. There is no apparent urgency in view of the 16 month settlement. I have spoken to Treasury officials and anticipate that the Chancellor might propose something along these lines, recognising that the Government has an interest in decentralisation of pay bargaining which goes wider than the water industry. I would suggest waiting for the Chancellor's views.

NICHOLAS OWEN

CONFIDENTIAL

EC.N.O. A

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

16 May 1983

The Rt. Hon. Tom King MP
Secretary of State for the Environment

Dear Tom

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

Pt.3 Pt.4

Thank you for your letter of 27 April. I did not reply immediately pending your response to the question raised by the Prime Minister (Michael Scholar's letter of 3 May), which I have now seen (your minute of 10 May).

We corresponded about this matter last October, and left it on the basis that we would see how the employers performed in the then forthcoming national pay negotiations. We can hardly say that the outcome was reassuring. It may be, as you say, that the employers have emerged with increased bargaining strength but I must say that I remain to be persuaded of this. Certainly they have yet to show that they can exploit it effectively.

I do of course see the force of a number of the points you make about the case for centralised bargaining on basic pay. They must not be overlooked. But equally we should not assume that the unions would indefinitely be able to maintain a co-ordinated line in the absence of national negotiations. We must also see this in a wider context. Pay systems do need to be changed to give more emphasis to market conditions, including regional and local conditions. It may even be worth accepting some short term costs in order to move in that direction as opportunity offers.

The abolition of the National Water Council does create such an opportunity, and I agree with the Prime Minister that this was one reason why we had the Water Act. I think we should be cautious about concluding that it should not be exploited.

The fact that the employers want to continue with centralised determination of basic pay is significant, but hardly conclusive. Obviously, we would need to be careful about any attempt to substitute our judgement for theirs, when we do not have their close knowledge of the industry. But I still feel that I would like a second opinion before being persuaded that they are right.

One point that needs probing, for example, is why we should accept that the Water Authorities cannot adequately handle their own negotiations on basic pay, while at the same time giving them responsibility for productivity bargaining. The latter contains very considerable scope for inflation of pay levels by the unions through questionable deals, and demands a resolute approach by management. If we think that the Water Authorities can cope with that, why not with basic pay, where it is at least easier to see what is going on?

Local Govt:
Pay of LA workers
PH

CONFIDENTIAL

This leads me to ask whether you have considered asking consultants to examine the question of the pay bargaining arrangements. You have persuaded the Water Authorities to accept consultants before, and this might be another occasion on which it would be useful to do so. Even if they endorsed the present proposals, they might still make a valuable contribution by suggesting how management could be strengthened to deal with pay matters, perhaps particularly in the area of productivity bargaining where monitoring and control are so important.

I know that the employers want to get on with settling new arrangements. But negotiations on the next settlement will not be needed until early next year; and consultants should be able to produce some conclusions before then. It would not be unprecedented if we had interim arrangements for next year. The important thing is to get this right for the future.

I hope you will agree that your officials might at least clear the ground and identify possible consultants over the next couple of weeks, so that an early start could be made after the election if we so decided.

I am copying this letter to the Prime Minister, to Norman Tebbit, Nicholas Edwards, Peter Walker, and to John Sparrow and Sir Robert Armstrong.

GEOFFREY HOWE

L No.

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Rt Hon Tom King MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

12 May 1983

Dear Tom,

FUTURE BARGAINING IN THE WATER INDUSTRY — files with MCS.

I have seen your letter of 27 April to Geoffrey Howe and your minute of 10 May to the Prime Minister. This is a difficult issue but I agree on balance with your conclusion that it is best to allow the employers to proceed on the basis of their proposals, subject to the provisos you have set out. My instinctive reaction was to favour complete decentralisation of pay bargaining but I fear that the unions are far too likely to be able to pick off a weak employer and then move on to the next. Certainly there is a case for the complete decentralisation of pay bargaining in this industry, but, as you have pointed out, it is not so clear cut as to easily justify direct intervention by us. This would be hard to explain publicly; and, if our views prevailed, would carry the risk that we might subsequently be held responsible for the outcome of negotiations - the framework for which would have been publicly thrust upon both sides.

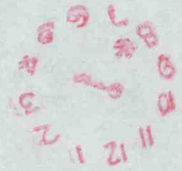
I am somewhat doubtful however about your suggestion that any national pay bargaining for this industry should be served by LACSAB. There may well be a need for a secretariat; and a greater professional input could be helpful. But there must be a risk that the involvement of LACSAB will make it that much more likely that the water negotiations will impinge on the negotiations for the local authority manuals; and vice versa.

I am copying this letter to the Prime Minister, Geoffrey Howe, Nicholas Edwards, Peter Walker, John Sparrow and Sir Robert Armstrong.

Yours

Norman

LOCAL GOVT: Pay of LA Manuals
Pt 4.



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cc NO

B

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

see PS3 attached

I was grateful for your comments on my letter of 27 April to Geoffrey Howe about future pay bargaining arrangements in the water industry.

You asked about the effect of the water Act in connection with the de-centralisation of wage bargaining. The Act gives Authorities and Companies the freedom to change the bargaining arrangements and they are intending to do this in respect of the vital area of productivity bargaining. This should enable each authority to tailor these negotiations to their own needs and keep a much tighter grip on these payments to make sure that they are getting the benefits in return. However in respect of the basic rates, they believe that the recent dispute has shown that the centralised system worked to the advantage of the employers, enabling them to maintain a united front which minimised the disruptive effects of the strike. They believe that were there to be regional disputes, there would be more support from the other unions, which would have much more serious consequences. The employers are also convinced that negotiation of basic rates at the local level would allow unions to 'pick-off' the authorities, probably using strike action more easily, and creating a domino effect on wages. We are, however, intending to tell the authorities that any agreement on national bargaining on basic rates must leave the option to individual authorities to 'opt out' subsequently if they so choose. I should mention that the Water Companies strongly support the need for national 'basic rate' negotiations.

I would add that Giles Shaw briefly discussed the authorities' views on bargaining arrangements with Norman Tebbit who, I understand, feels that he would be content with what the industry wish to achieve. I am copying this minute to him in case he wishes to comment further.

The CBI have also made the point that regional negotiations are most effective when there is some real prospect of transferring the work to another location, and it was clear that they had real reservations about the total transfer to regional negotiations in the case of Water Authorities.

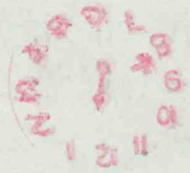
We have already proposed to the Chairmen that any national pay bargaining for the water industry should be serviced by Alan Rusbridge and his team at Lacsab. Quite apart from being the most cost-effective way to operate, Lacsab's negotiations for the local authorities, which involve those same unions, have been markedly more successful than those of the NWC.

I am copying this to the recipients of my previous letter.

T K

10 MAY 83

LOCAL GOV: Pay & water Industry: Pt 4



10 MAY 1983

2

Prime Minister

CONFIDENTIAL

Qa 06355

To: PRIME MINISTER

From: JOHN SPARROW

4 May 1983

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

1. I have seen a copy of Tom King's letter of 27 April to Geoffrey Howe on this subject, and also a copy of Michael Scholar's letter of 3 May to David Edmonds.

2. Decentralised wage bargaining offers the best prospects for establishing an effective link between pay and performance and ensuring that pay levels reflect local labour market conditions - both objectives are important for the Government's general economic strategy. The restructuring of the water industry certainly provides a good opportunity for making a move in this direction.

3. It may well be that there are compelling reasons why at this stage it is tactically wise to do as Tom King envisages and continue with centralised bargaining coupled with the introduction of regional negotiation for a large number of items including productivity. But the ultimate objective must be kept firmly in view. If progress towards decentralised wage bargaining in the restructured water industry is to be made there are one or two steps which Tom King could usefully take now to help that process along.

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4. First, any new agreement should be for a fixed period of, say, 3 or 5 years. This will enable the new Boards to be created under the new Act to settle down and, after a reasonable period, take stock of the wage bargaining arrangements. By making specific provision for review there is a mechanism for ensuring that the new agreement is not seen as fixing the pattern for all time.

5. Secondly, the Chairmen to be appointed to the new Boards need to be pressed by Tom King to build on the proposed regional arrangements to create local differentials. Over time he could also encourage them to develop expertise in wage bargaining and gradually to make the regional negotiations more important.

6. In the meantime, and so long as centralised bargaining has a part to play, it goes without saying that there needs to be a strong employers' representative team at the centre capable of matching the concerted efforts of the unions.

7. I am sending a copy of this minute to Sir Robert Armstrong.

JB.

4 MAY 1888

CONFIDENTIAL

MS

file

b.c Mr Mount

10 DOWNING STREET

From the Private Secretary

3 May 1983

Future Pay Bargaining in the Water Industry

The Prime Minister has seen a copy of your Secretary of State's letter of 27 April to the Chancellor of the Exchequer about pay bargaining in the water industry. The Prime Minister has commented that she does not understand what the point was of having the Water Act if we are not to decentralise pay negotiations in the water industry. She would be grateful for a sight of a possible plan of action if your Secretary of State were to insist on decentralisation.

I am sending a copy of this letter to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment), Adam Peat (Welsh Office) Robert Lowson (Ministry of Agriculture Fisheries and Food), John Sparrow (CPRS) and Richard Hatfield (Cabinet Office).

MS

David Edmonds Esq
Department of the Environment.

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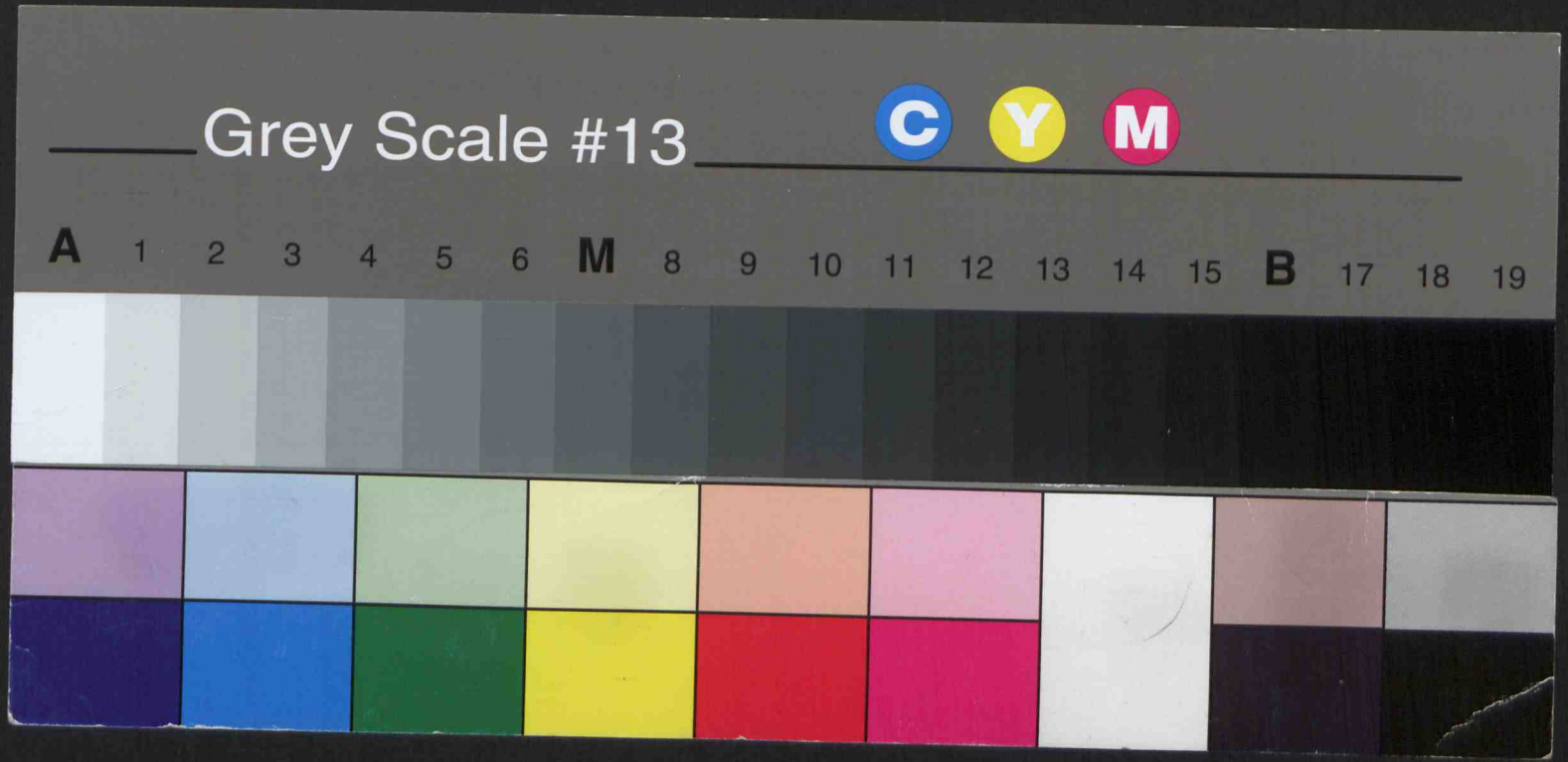
PART 3 ends:-

FM to PM 29.4.83.

PART 4 begins:-

3.5.83 MCS to D.Env.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