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2 MARSHAM STREET
LONDON SW1P 3EB

Don't touch

My ref:

Your ref:

ms

To note: water industry

chief officers have been

offered 20%.

30 July 1980

*The headline ~~only~~ has no
~~more~~ power to over-ride.*

Dear Chairman of the CWA, T631/7

WATER INDUSTRY PAY - CHIEF OFFICERS

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

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

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

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

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

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

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

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

You ever
MHE

For MICHAEL HESELTINE

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

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Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer

WATER INDUSTRY PAY - CHIEF OFFICERS

1. Offer

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

OR b. 22% on current scales.

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

2. Salary Scales (dependent on size of authority)

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

