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Prime Minister

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PRIME MINISTER

WATER MANUALS PAY NEGOTIATIONS

I have seen Michael Heseltine's minute to you of 3 November.

2. There seems to be some risk of an assumption by the water industry employers that the eventual settlement will have to be at the same level as the miners. (The opening offer now made to the water manuals is, I understand, actually a little higher than the implied offer of 6½ per cent first made to the miners.) The judgement recorded in the Home Secretary's minute of 22 October was that a settlement significantly below that of the miners might be expected. I hope that we can keep the employers aware of the desirability of some such differential; and that Sir Robert Marshall's doubts about achieving a substantial difference do not exclude the possibility of a smaller but still useful one.

3. At the end of his minute Michael comments that simultaneous action by water and local authority manuals would have damaging consequences for the settlement with the latter. That may be so; but I question whether the consequences would be as damaging as those of a water industry settlement at the same level as a high miners settlement.

4. Finally, I agree that we are not yet at a stage when we need to take decisions on the issues raised by the Home Secretary's minute of 22 October. But that need could arise quickly, and I am sure that Michael will keep us closely in touch with developments.

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5. I am copying this minute to members of E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.

G.H.

(G.H.)

9 November 1981