

*cl J. H. ...
A. ...*

Prime Minister

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*The Policy Unit have
no comments on this. Suggest
you simply note.*

Treasury Chambers, Parliament Street, SW1P 3AG
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Ms 28/10

PRIME MINISTER

MONITORING REPORT - PUBLIC TRADING SECTOR

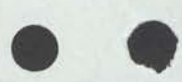
.... I attach the latest report.

2. There are no significant new issues to be noted. Developments in both the coal and water industry (on which Michael Heseltine reported in his minute of 13 October) are proceeding at a fairly slow pace: the NCB and NUM have postponed their next meeting to 11 November, while it will be 5 November before the water industry employers respond formally to the claim which they have received. Meanwhile, colleagues will no doubt continue to report any significant developments in these or other industries in good time.

3. I am sending copies of this minute to the Home Secretary, Chancellor of the Duchy, the Secretaries of State for the Environment, Industry, Trade, Transport, Energy and Employment, and to Sir Robert Armstrong and Mr. Ibbs.

(G.H.)

26 October 1981



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PUBLIC TRADING SECTOR

- 1 British Airways: Pilots (3,500)
 Settlement date: 1 April 1981
 Union: BALPA

The pilots have accepted British Airways' offer to increase pay rates by 8% from 1 July 1981 (ie 3 months postponement of the settlement date). Their attempt to link scheduling agreements to the pay negotiations has been dropped. All British Airways negotiating groups have now settled at the same level, with a 3 months pay freeze.

- 2 British Telecom: HCO, EO and HEO grades (7,000)
 Settlement date: 1 July 1981
 Union: SCPS

SCPS members voted by a narrow margin to reject the offer worth 10% on earnings (9% on the pay bill) which all other BT negotiating groups have accepted.

The SCPS continue to press for pay parity with telephone engineers who, they say, have a 10% lead over the rates offered to their grades. The union has organised limited industrial action which has led to delays in the issue of telephone bills in the London area.

- 3 Post Office: Postal Supervisors etc (14,800)
 Settlement date: 1 July 1981
 Union: CMA

The union has rejected an offer of 11% increase on paybill, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. The CMA contend that the 7% should not be part of the current offer, and is preparing a unilateral reference of the case to the Post Office Arbitration Tribunal. The Department of Industry understands that the hearing is likely to be in mid or late November, with a decision towards the end of the year.

The PO unions (with the exception of the Union of Communication Workers) have unilateral rights of access to arbitration. Both parties have agreed to accept the findings of the tribunal; the PO subject to any statutory obligations. However, neither the agreement nor any arbitration award under it is legally binding on the parties.

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4 United Kingdom Atomic Energy Authority: Manuals (4,700)
Settlement date: 1 October 1981
Unions: AUEW, TGWU, GMWU, EETPU

The Authority's opening offer of 4.5% increase on rates was rejected as unrealistic by the unions at a meeting on 15 September. No arrangements were made for a further meeting.

The Department of Energy say that, for the time being, neither side shows any indication of seeking to resume negotiations.

Management are understood to have in mind the advantages of moving the manuals' settlement date to 1 April - the non-industrials' date - and aligning the pay and financial years. Any such change would mean a pro-rata adjustment to the offer.

5 Coalmining - Manuals (205,000)
Settlement date: 1 November 1981
Union: NUM

The NUM Annual Conference on 6 July adopted a resolution which seeks £100 a week basic minimum for surface workers with appropriate differentials for all other grades, to be paid as a salary. The National Executive Committee is instructed to call a special Conference to consider the final offer if it does not fully meet the resolution.

The formulated claim was presented to the National Coal Board at a meeting on 6 October. It seeks -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

At the meeting on 6 October the Board reviewed the state of the industry and said that the global sum available for increases in wages, salaries and associated costs to all NCB staff this round was £120m, of which £71m was available for wage increases for mineworkers. Such a figure could finance a 6.5% increase in basic rates, though its effect on average earnings would be about 5.2%. Following some quotation of higher figures, the 6.5% has been quoted fairly widely in the Press. But the NCB did not mention any percentages.

The NCB and NUM met again on 19 October. The NCB did not offer any more money but gave an indication of the way the £71m could be split amongst basic rates, incentives, and other payments; and there was some discussion of the "non-pay" elements of the claim. The NUM indicated that a substantially increased offer would be necessary, but were willing to accept postponement of the next meeting to 11 November. At this NCB will probably increase their offer somewhat and this will be considered by the NUM's NEC the next day and possibly, despite the July Resolution, put to ballot without a Delegate Conference. NUM appear to be awaiting the results of the BL negotiations before considering the next move.

6 Water Service: Manuals (30,000)
 Settlement date: 7 December 1981
 Unions: GMWU, TGWU, NUPE, NUAAW

At an NJIC meeting on 23 September the unions submitted a claim for pay increases not less than the rate of inflation; reductions in working time towards an eventual 35 hour week (now 39); and increased annual holiday entitlements (now 19-24 days according to service). The employers' side made no response. They are to meet on 28 October to discuss the claim and will make an offer at the next NJIC meeting on 5 November.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 1 January: Electricity February/March). They may also influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

Proposed changes in the organisation and management structure of the water industry, which have been discussed in E Committee, will need legislation and will not affect negotiations in this pay round.

7 British Steel Corporation: All grades (110,000)

Settlement date: 1 January 1982

Unions : ISTC, GMWU, TGWU, NUB, NCCC

On 25 September BSC employees were told in a letter from their Chairman that the Corporation could not afford to pay a national increase in the current pay round, and that any pay rises next year must be geared to productivity deals at local level. Mr McGregor said that a national pay award could have disastrous effects and might lead to plant closures.

The press reports that the ISTC have threatened concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks are closed, and have instructed members to take no part in local level productivity talks. However, the NUM's current disposition to let BL employees make the running on pay negotiations suggests that they may not at present have much appetite for this kind of concerted action.

In the last pay negotiations (settlement date 1 January 1981) the Corporation obtained the agreement of the unions to its "survival plan" (although ISTC resisted until its annual conference in mid-June) with a settlement of 7% increase on basic rates from 1 July 1981 (ie. a 6-months pay freeze).

8. British Airways: All grades except pilots (50,000)

Settlement date: 1 January 1982

Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS,
GMWU, FTATU, UCATT.

On 10 September British Airways announced to staff and unions the launch of a "rescue plan" aimed at stemming losses approaching £100 millions in the current year and £250 millions in the two year period to April 1982.

So far as staff and pay are concerned the plan involves a reduction of 9000 jobs, preferably by normal and early retirement and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes and stations, and the sale of aircraft and property.

The press reports the successful progress of the plan so far; over 7000 staff have already applied for severance pay. Of the unions, only TGWU is reported to have advised its members to stay and resist redundancy.