

Economic Policy *ca JR*



Prime Minister (2)

MUS 29/11

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

*MS*

PRIME MINISTER

MONITORING REPORT : PUBLIC TRADING SECTOR

..... I attach the latest monitoring report on the public trading sector.

2. The major item here is the pay negotiations in the water industry. The employers' tactic was to make a low offer and then, when this was rejected, to go straight to arbitration, to which they have unilateral access. But that unilateral access is effectively to ACAS, who are statutorily unable to arbitrate without the consent of both parties. As we heard in Cabinet last week, the resulting procedural complications may prevent the matter from coming to a head immediately. But meanwhile, it is most important that the employers should not increase their 4 per cent offer. No doubt Michael Heseltine will continue to see that our views on this are made clear to the employers. There is obvious potential here for repercussions on what is likely to be offered to the local authority manuals on 9 December, and on the NHS unions' response to their offers on 15 December.

3. On other matters, my last report mentioned the Passenger Transport Executives, where the Greater Manchester PTE is setting a precedent for 7 per cent settlements. We still await David Howell's assessment. Another cause for concern is the apparent intention of the British Airports Authority to offer the equivalent of 6 per cent on earnings. I hope that Arthur Cockfield can persuade them to offer less.



4. I am copying this minute to the Home Secretary, the Secretaries of State for Environment, Trade, Industry, Transport, Energy, and Employment, and to Sir Robert Armstrong and John Sparrow.

G.H.  
29 November 1982

MR SCHOLAR

Mr Vereker

ECONOMIC POLICY,

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then → CF for their

I have done X. Thanks -  
MCS 30/11

cc Mr Mount

Jr.

MONITORING REPORT: PUBLIC TRADING SECTOR

There is just one point which it might be useful for you to make, on the Prime Minister's behalf, arising from the monitoring report attached to the Chancellor's note of 29 November.

You will recall that there was an exchange of minutes between the Chancellor and the Prime Minister (27 October and 8 November) about the prospects for nationalised industry pay generally, which concluded with the Prime Minister's proposal that the Chancellor should invite sponsor Ministers to speak to their Chairmen. The Prime Minister will have seen a copy of the Chancellor's letter dated 19 November to Mr Lawson, which enclosed a speaking note for his colleagues to use. The purpose of all this is to lower the expectations of nationalised industry Chairmen about what would be an appropriate settlement rate in their industries, and to identify potential inconsistencies which may need to be corrected.

X | The Prime Minister suggested that sponsor Ministers should report to the Chancellor by the end of November, which is today. The Chancellor himself gave no deadline. The case of the British Airports Authority, to which the Chancellor refers in his latest note, illustrates the need for this exercise to be completed quickly. I think, therefore, that it would be helpful for us to indicate to the Chancellor that the Prime Minister would like to have a report from him, based on the reports he has received from his colleagues, say by the end of next week.

JOHN VEREKER

30/11/82

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2/12/82



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The Rt Hon Sir Geoffrey Howe, QC, MP  
Chancellor of the Exchequer  
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NBPM

MW 12/12

17 December 1982

*De Selms*

Your Monitoring Report of 29th November on the Public Trading Sector referred to the 7% on which Greater Manchester PTE was negotiating. You may like to know the action taken since then.

First my officials followed up an earlier paper in September to all bus employees with a letter on 30th November to each of the PTEs stressing the importance of reasonable wage settlements. The Greater Manchester Director wrote back on 2nd December to say he well recognised the importance of this. He said that the offer to platform staff was 4% but with some important items of a productivity nature to secure, which they would have to make additional payment for (i.e. the further 3%). But with the backing of the letter he was hopeful that 4% would be the benchmark for the next set of negotiations.

Second, Reg Eyre in the Transport Bill Committee stressed the importance of reasonable settlements and referred to the Government's view that in their own sector the pay bill increase ought not to exceed 3½%. We know the proceedings of this Committee are being very carefully read by all Metropolitan Counties and their PTEs.

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Third, in response to a Priority Question from Alf Morris today about my officials' letter to the PTEs Reg Eyre took the opportunity to make the point once more.

It is impossible to assess what effect these actions will have, given I have no formal locus in the pay negotiations. But authorities are taking very seriously the point about the protected levels of expenditure, and we will take all future opportunities to stress the need to prevent revenue support being dissipated in excessive pay costs, meaning higher fares for any given level of subsidy.

I am copying this to the Prime Minister, Willie Whitelaw, Michael Heseltine, Patrick Jenkin, Nigel Lawson, Norman Tebbit, Arthur Cockfield and to Sir Robert Armstrong and John Sparrow.

Yours

David

DAVID HOWELL

17 JUL 1982

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PUBLIC TRADING SECTOR

## PART 1 CURRENT NEGOTIATIONS

1981/82 PAY ROUND

### 1 British Rail: Clerical and Conciliation grades (136,000)

Settlement date: 20 April 1982

Unions: NUR, ASLEF, TSSA

On 13 September the Railway Staff National Tribunal recommended a 6% increase on basic rates from 6 September and a 6% increase in the Minimum Earnings level from 19 April 1982; worth together 4% on average earnings in the settlement year. In addition the Tribunal recommended that there should be agreement to 1 additional day's holiday to be effective in 1983 and a further pay review to be completed and agreed before the next annual settlement date of 17 April 1983.

The Tribunal did not explicitly make their non-binding award conditional upon agreement being reached on outstanding disagreements about productivity but made clear a view as to which productivity commitments it considered to have been properly fulfilled and how outstanding commitments should be resolved. The Tribunal also recommended that in future any links which are established between pay and productivity should be clear and unambiguous.

The BR Board and all three unions have accepted the Tribunal's recommendations as a basis for negotiation.

At a meeting of the Railway Staff National Council on 20 October the BR Board made it clear that implementation of the 6% increase was conditional upon agreement to settle those productivity matters still outstanding from the 1981 pay round. Although objecting to this proviso, the unions agreed to take part in further negotiations and meetings at Railway Staff Joint Council level have been taking place with the NUR and ASLEF; TSSA are not involved in further negotiations.

Agreement has been reached with the NUR and ASLEF on the principle of driver-only operated trains on the Bedford/St Pancras line. Detailed negotiations are now centring on the 'specific rewards' for those whose responsibilities are changed, and BR have made an offer which would give an extra £17.50 to drivers working a normal week. (Under the 1981 Understanding on Productivity such rewards should be paid to all staff directly affected by the items covered by that understanding). Agreement has also been reached with ASLEF for a trial period of single-manning on freight trains in three areas. Negotiations continue on the extension of single-manning, the trainman

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concept and the level of payments which those affected by the new working arrangements are to receive. TSSA is pressing the NUR and ASLEF to reach agreement quickly so that the pay increase can be agreed and implemented before Christmas.

## 1982/83 PAY ROUND

### 2 United Kingdom Atomic Energy Authority: Manuals (4,760)

Settlement date: 1 October 1982

Unions: AUEW, TGWU, GMU, EETPU

The first formal negotiating meeting took place on 16 September when, in response to an uncosted claim for a substantial increase, management offered 3% on average earnings. The offer received a hostile response from the unions. A further meeting took place on 17 November when management improved their offer to just under 3.7% on average earnings. The unions stated that they were unable to recommend the offer to their members. No further negotiating meetings were arranged.

### 3. Greater Manchester Passenger Transport Executive: Platform staff (5,595)

Settlement date: 1 November 1982

Union: TGWU

The union has presented an uncosted claim for a substantial pay increase which management estimates is worth 20% overall. At a negotiating meeting on 22 November management's tentative offer of 4 per cent increases with a further 3 per cent for productivity improvements was not well received. No further meeting has yet been arranged.

Comment: The employers have already reached a settlement with craft and maintenance grades which provides a 6.97% increase on basic rates and have in the past applied a policy of harmonisation of pay increases.

The settlement will be the first in the pay round for platform grades in the seven Passenger Transport Executives and will have repercussions throughout the bus industry. Personnel Managers in other PTE's are known to have expressed dismay at the Greater Manchester settlement with craft grades; the PTE's were generally hoping to conclude settlements below 5% in this pay round.

Transport Ministers in committee stage of the Transport Bill are stressing the importance of sensible and realistic settlements in the bus industry.

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4 Water Service: Manual grades (29,400)

Settlement date: 7 December 1982

Unions: NJIC-GMWU, NUPE, TGWU

At a meeting on 21 September the National Joint Industrial Council presented a claim for average earnings in the industry to be brought in line with the upper quartile of manual earnings generally, one extra week's holiday and a reduction of one hour in the working week. It is unclear whether a cost of living increase for this year is also implied.

The claim for comparability follows from an agreement made at the same time, although separate from, the 1981 pay settlement when the employers agreed, without commitment, to give consideration to the position of water manual's earnings in relation to manual earnings in the economy generally and in return for improvements in productivity. Subsequently, the unions submitted evidence in support of their claim for parity which, according to the NWC, would have meant an increase of around 15%. Management made it clear that such an increase was unacceptable. At the meeting on 21 September the unions requested an immediate response, or at least a commitment in principle to upper quartile relativity. The employers refused to respond to the claim before the next scheduled meeting on 11 November and the unions subsequently called a one day strike on 18 October.

At the meeting on 11 November the employers offered a 4% increase on basic rates, an increase in shift payments and one additional day's holiday for employees with over eight years service. The offer is worth 3.8% overall on average earnings. The unions rejected the offer; the employers then suggested a reference to arbitration which was also refused.

The employers have written to ACAS indicating that they would like the matter settled by arbitration; although ACAS has not received a formal request to arbitrate. The unions maintain that there have not yet been meaningful negotiations and that arbitration should not be contemplated until normal negotiating procedures have been more fully used. ACAS has conducted informal discussions with both sides.

Comment:

There are complications in the procedure for referring a dispute to arbitration. According to the NJIC agreement the Joint Council must refer a disagreement to arbitration at the request of either side and this would appear to give the employers a clear right to insist on arbitration. The unions view, however, is that

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the procedure agreement has been broken by the employers because of their failure to exhaust normal negotiating procedures first and, in any case, that the Joint Council must first agree terms of reference. ACAS can only arbitrate 'with the consent of all parties to the dispute' (Section 3 Employment Protection Act 1975). It has never been clear whether a procedural agreement which provides for unilateral access meets that condition but in practice arbitration against the wishes of one party would be difficult to arrange and acceptance of the outcome by the dissenting party would be unlikely. The situation will not be clear until the preliminary discussions with ACAS are concluded.

The recent settlement for the miners will influence expectation in the water industry and, if arbitration is arranged, may be a consideration in the minds of the arbitrators. The settlement is worth 6.5% on average earnings but was widely reported in the press as worth 8.2% to 9.1%.

A settlement for the water workers will have repercussions for the gas and electricity industries and may have repercussions on the NHS dispute. Unions in the electricity industry are already reported as having said that they will expect not less than the miners or the water workers, whichever is the higher.

## FORTHCOMING NEGOTIATIONS

### 5 British Steel Corporation: All grades (103,000)

Settlement date: 1 January 1983

Unions: ISTC, NCCC, NUB, GMWU, TGWU, SIMA, MATSA, ACTSS

Although claims for the January 1983 pay settlement have yet to be submitted by the unions representing manual grades, the ISTC has been reported as preparing a claim for a 9.5% increase in addition to the consolidation of existing bonus earnings.

The staff unions have written to BSC asking for a "substantial" increase in earnings. There was no national pay award in 1982; all increases were to come from locally agreed productivity schemes. Bonus earnings of 2.5%, out of a total bonus yield of 6.3% so far this year, were consolidated into basic rates from July 1982.

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Comment: Pay negotiations will take place against a background of closures and redundancies. A one day strike recommended by the TUC Steel Committee took place on 22 October in protest at BSC's announcement that further cutbacks may be necessary and a further demonstration will take place in London on 23 November.

## 6 Municipal Buses: Platform Staff (15,555)

Settlement date: 1 January 1983

Unions: TGWU, GMWU

The unions have submitted a claim for parity with Group F local authority drivers (estimated to require a 4% increase), a 13% increase in addition to the claim for parity, 1 day's additional holiday, a reduction in the working week to 38 hours and improvements to sick pay and holiday pay for semi and unskilled maintenance workers. The claim is estimated to require an overall increase of about 40%. Negotiations resume on Friday 10 December.

Comment: Negotiations may be influenced by a settlement for platform staff employed by the Greater Manchester Passenger Transport Executive (see item 3).

## 7 British Airports Authority - All grades (7,000)

Settlement date: 1 January

Unions: JNCC - staff IPCS, SCPS, CPSA, CSU

Industrials TGWU, AUEW, GMWU, EEPTU, NUSMWHDE, UCATT

The unions have submitted a joint claim for improvements to basic rates and salaries, London Weighting allowance, a shorter working week for firemen and some restructuring. The claim is estimated to be worth 13% overall on average earnings.

The Authority expect to respond to the claim at the end of November when they will make an offer of 4% on basic pay and allowances and may concede in negotiations an increase in London weighting (though this applies to only half its employees). It is expected that average earnings, including the effect of an increase in productivity earnings, will increase by about 6%. The paybill is expected to increase by less because of further cuts in the number of staff and a reduction in the amount of overtime worked.

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## 8 Gas Supply: Manuals (41,600)

Settlement date: 16 January 1983

Unions: GMWU, TGWU

The unions will formally present their claim to BGC on 25 November. They have already indicated informally to BGC that the main elements of their claim will be "a substantial increase in pay" (unquantified); consolidation of the General Obligations Payment (a payment in respect of flexible working procedures); increase in holidays and other leave entitlements; improvement in holiday pay; reduction in hours; and improvement in shift and "staggered" working payments. BGC will merely take note of the claim on 25 November.

Press reports indicate that the claim will include a minimum £15 per week increase on average earnings, the total claim being said to be worth around 13%.

### SETTLEMENTS CONCLUDED SINCE THE LAST REPORT

## 9 Coalmining: Manuals (188,000)

Settlement date: 1 November 1982

Union: NUM

The ballot of the NUM membership on 28/29 October resulted in a vote of 125,233 to 81,594 (61:39) against the executive's call for strike action to obtain a higher pay offer and to prevent pit closures. Following the vote, the overtime ban imposed from 4 October was immediately called off and the CoalBoard's offer was accepted.

The overall settlement will increase average earnings by 6.5% although the Coal Board has presented it as equivalent to an increase of 8.2% to 9.1% on base rates.

Parallel offers to other groups will be accommodated within the estimated total of £155 million set aside by the Board for this year's settlement.

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