

cc 52  
at B.I.SECRETARY OF STATE FOR ENERGY  
10, WHITE HALL, LONDON, E.C. 4A

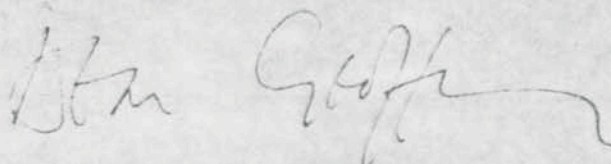
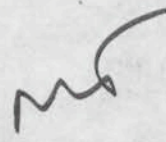
01 211 6402

Prime Minister (2)

Mus 8/12

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London  
SW1P 3AG

9th December 1982

#### NATIONALISED INDUSTRY PAY

As requested in the letter from the Prime Minister's Private Secretary of 8 November, I am writing to report the position on this year's pay round in the nationalised industries for which I am responsible.

#### British Gas Corporation

I have discussed the prospects for the gas industry with Sir Denis Rooke and Charles Donovan (the personnel member on the BGC Board).

Our discussion concentrated on the negotiations with the manuals, whose settlement date is on 16 January. Negotiations with the staff come much later in the pay round.

The situation is complicated by the increasing pressure the unions have been exerting over the last two years for the consolidation of the bonus element in gas industry pay, which forms a relatively high proportion of total earnings. This was the issue which took last year's negotiations to ACAS, and the trials recommended by ACAS, which are designed to prove an alternative system, are still in progress. Consolidation as such is therefore not expected to be a main issue this year, but it will be prominent in the background.

The unions presented their claim on 25 November; it included a demand for a substantial increase on basic rates, with full flow-through to bonus and overtime payments (an increase unquantified in the claim, but the unions claim to be thinking in the region of 10-15%) and for a reduction in hours. The latter element seems to be associated with a more receptive approach than hitherto to a degree of flexibility in working hours, which could be of benefit to the industry in the longer term, though they do not expect to be able to afford a reduction in hours this year.

The unions are anxious that negotiations should not drag on too long after the settlement date and the Corporation have agreed to have a negotiating session, at which they would respond to the claim, before the settlement date.

They were unwilling at this stage to be precise about their initial offer. Much will depend on the circumstances at the time, including the results of soundings on intentions in other industries and the latest prospects for inflation. However they indicated that they might open in the region of 5%. I urged them strongly, in view of the certainty that there would be some upward movement in negotiations, to consider opening at a lower figure, and drew attention to the 4% opening offer to the waterworkers. (It is fair to add that, as they reminded me, the gap between initial offer and final settlement has generally been narrower in this industry than in some others).

The Corporation readily agreed to let us have a week's notice of the offer they have in mind to make.

#### Electricity Supply Industry

I have discussed the position in the electricity supply industry with Austin Bunch and Roger Farrance (the Council Member for industrial relations).

Bunch told me that he aimed to settle at as low a figure as possible, which should be below the miners settlement of 6.5% on average earnings, while avoiding strike action. Strategy would be considered at the January meeting of the Council's Industrial Relations Committee. They will aim to present settlements in money rather than percentage terms.

The first negotiation will be with the manual workers whose settlement date is 17 March; negotiations usually run into April. The result will influence negotiations with the other three groups:- engineers; clerical; and managers. Bunch and Farrance thought that they would have to offer 5 percent initially if they were not to risk a strong and counter-productive reaction. Again, the industrial settlement in the esi is usually close to the initial offer, and they judged that a lower initial offer could result in a longer negotiation with a higher final settlement. However, I was assured that if a lower offer than 5% was sustainable in the then prevailing circumstances, such an offer would be made. I made it clear that I attached importance to this point. As with BGC, they agreed to give me at least a week's notice of their proposed offer.

Their general assessment of the mood of the workforce suggested that there was little desire to take industrial action over pay.

UK Atomic Energy Authority

I have already written to you about AEA manuals' pay. As you know the Authority has offered just under 3.7%.

British Nuclear Fuels Limited

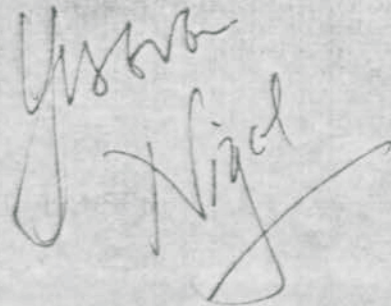
Settlements for BNFL are not due until 1 April (staff) and 1 July (manuals) but my officials are making early contact with them to get our view across before negotiations open, and John Moore will be reinforcing it on appropriate occasions.

British National Oil Corporation

BNOC employs only about 100 staff and their salaries must be competitive with those in the international oil industry. They have not yet decided on their strategy, which is to be considered by a committee of some of the non-executive directors before further discussion at Board level, but they seem to be thinking of increases of around 6%. However, the Civil Servant Board Member did make clear the Government's view at the Board meeting on 29 November. He will keep in close touch with the Corporation on this question.

I am copying this to the Prime Minister, members of E Committee, Nicholas Edwards and George Younger, and to John Sparrow and Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read 'Nigel Lawson', written over the typed name.

7

1

8 DEC 1962

143 1 23  
4 5 6 7 8 9  
10 11 12 13 14 15