



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

PRIME MINISTER

### **NATIONALISED INDUSTRY PAY**

At its meeting on 22 December (E(NI)(82) 10th Meeting, Item 3) the Ministerial Sub-Committee on the Nationalised Industries discussed nationalised industry pay on the basis of my minute to you of 16 December and the letter of 20 December from the Minister for Local Government and Environment Services to the Secretary of State for Energy, which was copied to you. Your private secretary's letter of 20 December asked me to report the outcome to you.

2. The Sub-Committee agreed that there were several general points which needed to be impressed on the management of nationalised industries, notably:

i. the increasing reluctance of trade unions to call for industrial action because of the Government's success in withstanding strikes in the public sector and the recognition by workers that any small improvement in a pay offer secured by industrial action might be more than offset by the cost to them of a lengthy strike;

ii. the inhibitions on taking industrial action where there would be severe consequences for the community;

iii. the change in pay expectations since the start of the pay round which made it possible to open negotiations with lower offers reflecting the declining path of inflation.

3. The Sub-Committee therefore agreed that sponsor Ministers should press the Chairmen of the nationalised industries to consider these factors carefully in deciding on their tactics for their pay negotiations and in particular on their opening offers.



4. As regards particular forthcoming pay negotiations, the water workers' negotiations will resume on 7 January, when the outcome of the trades unions' consultations on industrial action will be known; the Minister for Local Government and Environmental Services is, of course, in close touch with the water industry employers and will keep colleagues informed about developments. Negotiations for the gas manual workers open on 6 January. The Secretary of State for Energy has already discussed the British Gas Corporation's (BGC) tactics in general terms with the Chairman and may need to do so again in the light of the Sub-Committee's discussion if the BGC's final views on tactics and opening offer prove disappointing. The Secretary of State for Transport has raised with the Chairman and Chief Executive of the British Railways Board the possibility of a pay settlement in 1983 on the basis that no new money would be involved and that any pay increase would have to be funded entirely from improved productivity. They did not rule this out and the Secretary of State will be discussing it with them again in due course. Finally, the desirability of lower settlements in British Telecom and the Post Office is being pursued vigorously with their respective Chairmen.
5. I am copying this minute to the members of E Committee, the Secretaries of State for Scotland and Wales, John Sparrow and Sir Robert Armstrong.

(G.H.)

31 December 1982

ECON POL: Public Sector Pay. P. 9.



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Stamp: E 4 JAN 1983

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Econ. Pol.

Prime Minister

(2)

MR SCHOLAR

cc Mr Mount  
Mr Ingham

ms

Please see the

Chancellor's minute

, attached.

ms 6/1

NATIONALISED INDUSTRY PAY

I do not think the Prime Minister need reply substantially to the Chancellor's note to her dated 21 December reporting the outcome of E(NI). E(NI) clearly took note of the Prime Minister's views as set out in your letter of 20 December, and the action proposed in respect of BGC, BR, BT and the Post Office is satisfactory.

The handling of the water service remains the major difficulty in the nationalised industries. It is no surprise that the water workers seem, in their consultation, to be rejecting their 4% offer, particularly since it was widely reported when the offer was made that it would have have 6% but for Mr King's intervention. There is little point in repeating to her colleagues the Prime Minister's view, recorded in your letter, that there is no need for the offer now to be increased before arbitration takes place. But I have discussed with Bernard Ingham the desirability of the media appreciating that the water workers are bound to go to, and accept the results of, the arbitration, and I will be briefing him further on this when I have been able to establish what, if anything, ACAS has been up to over the last two weeks.

J.

5 January 1983

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