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Prime Minister (2)

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The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

3rd February 1983

Sean Goff

PAY: GAS INDUSTRY MANUALS

Your minute of 25 January to the Prime Minister asked me to provide an assessment of the likely developments at the next full negotiating meeting in the gas industry manuals pay negotiations, to be held on 8 February.

As you know the gas industry employers, at the meeting on 21 January, made no increase in their offer on base rates, but offered improvements in holiday pay. The two sides reached agreement on a broad framework, but left the details to be elaborated in informal discussions. These have now taken place and a draft agreement has been drawn up which, it is hoped, will be endorsed at the meeting on 8 February. The cost of the agreement is of the order of 0.15% on the pay bill this year (0.3% in a full year).

It is at present impossible to predict how far the meeting on 8 February will progress towards a settlement of the main claim. Much will depend on the situation in the water industry, on the response of the unions to any offer made in the electricity industry on 3 February, and on how willing the union negotiators in the gas industry are to reach a settlement without too much regard to what is taking place elsewhere. The employers' side for their part would be willing to reach a settlement at that meeting, provided it can be achieved on reasonable terms, and it remains their objective to settle below the rate of inflation. They are of course anxious to avoid making any increase in their offer of 3.8%-3.9% on average earnings unless it seems likely to lead to a settlement. While they are in general opposed to recourse to arbitration, this remains a possibility, and the employers' side will seek to assess the likelihood of the union side seeking arbitration if no settlement is reached on the 8th. To sum up, while it remains possible that a settlement will be reached on the 8th, the balance of probability seems increasingly against this.

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

Handwritten signature: Nigel Lawson

NIGEL LAWSON



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Prime Minister

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J O Kerr Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

6 April 1983

Dear John

PAY OF GAS INDUSTRY MANUALS

I understand from British Gas that, on 31 March, their manuals' unions accepted the pay offer made to them on 18 March, following delegate conferences of the two unions held earlier that week.

The offer included increases on basic rates ranging from £4.07 a week (5.08%) for labourers to £6.39 (6.02%) for technicians, giving an average increase in basic rates of 5.5%. The increases flow through to bonus and overtime payments and will produce an average increase on earnings of 4.8% to 4.9%.

Together with the improvements in holiday pay effective from 1 June 1983 (which my Secretary of State mentioned in his letter of 3 February) costing 0.15% this year and 0.3% in a full year, and the small increase in holiday entitlement for longer-serving employees, the total package will increase average earnings in a full year by 5.1% to 5.2%.

I am copying this letter to the Private Secretaries to the Prime Minister, other members of 'E' Committee, George Younger, Sir Robert Armstrong and John Sparrow.

Yours sincerely

C Brooks

MISS C E BROOKS
Private Secretary

Econ Pol. Prog
Public Sector Pt 9

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The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

WA February 1983

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Dear Chancellor

PAY OF GAS INDUSTRY MANUALS

Thank you for your letter of 7 February.


The negotiating meeting on 8 February discussed the draft agreement on holiday pay mentioned in my letter of 3 February, and it is clear that the two sides will be able to agree on this as part of an overall settlement. The cost remains as stated in my earlier letter.

In the event the employers' side judged it essential, if they were to avoid the risk of a complete breakdown of the negotiations and the possibility of the gas unions linking their dispute more closely with water, to make an increase of a little under $\frac{1}{2}$ per cent in their offer on basic salaries (the increase on offer now ranges from 4.4% to 5.2% as against their earlier offer of 4.0% to 4.75%. This is equivalent to an increase in average earnings of 4.3%.

The union side reacted strongly to this increase, which they regarded as derisory, and rejected the offer. The atmosphere on the union side at the end of the meeting is said to have been rather bitter. The next meeting is fixed for 24 February.

On the point you make in your letter of 7 February the employers' side have emphasised not only the earnings effect of the miners' settlement but also the reduction in the rate of increase of the RPI since that settlement was reached.

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

Yours sincerely


PP NIGEL LAWSON
(Approved by the Secretary of State and signed on his behalf)

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Prime Minister (2)
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Treasury Chambers, Parliament Street, SW1P 3AG
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7 February 1983

The Rt Hon Nigel Lawson MP
Secretary of State for Energy
Thames House South
Millbank
LONDON SW1P 4QJ

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Dear Nigel

PAY OF GAS INDUSTRY MANUALS

Thank you for your letter of 3 February.

I accept that the progress made at the negotiating meeting on 8 February will depend partly on developments elsewhere - to that extent, the situation is uncertain. But I think that the employers are entirely right in their aim of a settlement below the rate of inflation, and in the tactical judgment that their offer should not be increased unless a settlement is likely to result. I hope that they will remain firm on these points.

One factor in the minds of the unions will obviously be the miners' settlement. It will be very important for the employers to keep the 6.5 per cent earnings effect of that settlement in view, and not to let the widely reported figures of 8.2 and 9.1 per cent gain credence in the negotiations. But I am sure that you have this point very much in mind.

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

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GEOFFREY HOWE

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8 FEB 1983

