

CONFIDENTIAL

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PRIME MINISTER

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Handling of Nationalised Industry Pay Issues

Mr. Sparrow mentioned this morning a proposal that there should be new Ministerial machinery for handling nationalised industry pay issues. This was news to me, and I have made some investigations.

I understand that, in the aftermath of the water strike, the Chancellor held a meeting on pay generally with senior Ministerial colleagues which discussed, inter alia, whether there should be new such machinery. The Chancellor's suggestion is, apparently, that there should be new machinery, and it may well be that he and Mr. Tebbit will wish to come and discuss this with you. Mr. Sparrow, therefore, jumped the gun; and, since there are arguments against setting up the new machinery as well as arguments for (we would risk, for example, raising expectations of a new pay initiative, or of a pay policy), I suggest we wait to see what the Chancellor's conclusion actually is.

*ms*

7 March 1983

CONFIDENTIAL

MR SCHOLAR

cc Mr Mount

HANDLING OF NATIONALISED INDUSTRY PAY ISSUES

I understand that the Chancellor, in the aftermath of the water strike, has held a meeting with his colleagues to discuss whether there should be new machinery for handling nationalised industry pay issues; and that, rather than send the Prime Minister a note about it, he and Mr Tebbit intend to come and discuss it with her. You may want to have a word with the Chancellor's Private Office to see if this is so, and if it is, you may want to offer the Prime Minister the following advice.

When the present machinery for handling pay issues was set up about 2½ years ago, it was confined to public service pay, in recognition of the limited influence that Ministers had over pay in the nationalised industries. So although the public service pay issues identified by the Monitoring Group are transmitted via the Official Committee on Public Service Pay to the Ministerial Committee for collective discussion, the nationalised industry pay issues are simply reported to the Chancellor and noted in his regular minute to the Prime Minister. This machinery, especially the monitoring aspect of it, has served us well: pay issues have been identified sufficiently far in advance for the necessary action to be taken. The absence of a forum for collective discussion of nationalised industry pay issues has been more than compensated for by the establishment of the various MISC groups devoted to withstanding strikes.

In my view, the weakness in the handling of nationalised industry pay issues lies in the relationship between Ministers and the sponsor industries, not in the need for collective discussion. If the Chancellor and Mr Tebbit suggest, as I understand they may, that there should be a new Ministerial Committee (Chaired by the Chancellor) on Public Trading Sector Pay, I think the Prime Minister could make three points:

(i) Those issues which require collective discussion, because of the inter-relationships among nationalised industries, can perfectly well come to E(NI) - and some do already, such as Nationalised Industry Board Pay;

(ii) The really difficult nationalised industry pay issues, which are those peculiar to specific industries (such as pay bargaining after the National Water Council is abolished, or the relationship between pay and closures in the coal industry, or the difficulty of controlling pay in highly profitable industries such as BT and the Post Office, or the need to get very low settlements indeed in the uncompetitive industries such as British Shipbuilders) would not necessarily benefit from greater collective discussion among Ministers, but might well benefit from more regular interventions by the responsible Minister with his industry, and more regular reports back to the Chancellor and the Prime Minister. Experience shows that that is particularly true in the case of nationalised industries sponsored by the DoI;

(iii) There may however be a case for establishing a forum at Official level where issues can be teased out of sponsor departments, because the Monitoring Group does not contain representatives of them. That can easily be achieved by changing the title of the Official Committee on Public Service Pay (Chaired by Peter Gregson) to the Official Committee on Public Sector Pay.



1 March 1983