

cc Mr Verker  
 Mr Wallis  
 Mr Hodgson  
 Mr Wye



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PRIME MINISTER

MONITORING REPORT - PUBLIC TRADING SECTOR

Following the establishment of E(PSP), my officials have been discussing with their colleagues in the Cabinet Office and Prime Minister's Office the appropriate arrangements for dealing with monitoring material on the public services.

... This minute and its enclosure deal with the public trading sector. I am sending it to those colleagues who received the original monitoring reports, and to those who are responsible for the major negotiations in progress. The enclosure is limited to factual material and comment; this covering minute tries to identify the issues that arise.

2. My view is that the main issue arising on any negotiation in the public trading sector is whether or not the Government ought to seek to influence the negotiations by contact with the management's side. Clearly we should not seek to influence the negotiations overtly, and our public comments would need to bear this very much in mind.

3. The water and gas negotiations are at delicate stages, and electricity may well come to this stage shortly. The employers in all three industries are now formally co-ordinating their negotiating tactics. They hope to secure a settlement in water first in order to pre-empt demands for parity if settlements in other utilities are higher.

/4. Any moves will



4. Any moves will need to be thought through very carefully. Sponsoring Ministers are in close touch with the industries, whose Chairmen have been well acquainted with our views on the need for low settlements. On that basis, my view is that there is nothing further to be done at this stage to influence the management sides. No doubt colleagues will indicate if they dissent from this view.

5. I am sending copies of this minute to the Lord President, the Secretaries of State for Employment, Environment, Energy, Industry, Transport, Mr Ibbs and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be "G.H.".

(G.H.)

14 January 1981

## PUBLIC TRADING SECTOR

Nationalised Industry Chairmen's Group

At the meeting of the Group on 17 December, the Chancellor pressed home the Government's message on pay. He said that there was no national or public sector pay policy in terms of precise figures. For the industries, he suggested a reasonable expectation was increases comparable to those in the parts of the private sector most open to international trading conditions. The Government was crucially concerned to get settlements as low as possible, bearing in mind that three fifths of the UK's loss of competitiveness since 1978 was due to high wage costs. 6 per cent was not unreasonable in the light of experiences in the period 1951-1964 when increases also averaged 6 per cent, of which 3 per cent was inflation and 3 per cent growth.

2. Water Service Manuals (33,000)

Settlement date: 7 December 1980

Unions: GMWU, TGWU, NUPE, NAAAW

The claim seeks a £20 a week increase, consolidation of the efficiency supplement, shorter working week, longer holidays and other improvements and is estimated to be worth 30%.

The employers have offered:

- increases in basic rates
- improvement in shift allowances
- increases standby and call-out payments
- 1 day's extra holiday.

The offer would add 9.9% to basic rates, but the increase in earnings would be smaller, giving an overall increase in the annual pay bill of 7.9%.

/The unions rejected

The unions rejected the offer on 10 December, and refused at the subsequent meeting on 6 January to negotiate on the structure of the offer without an increase in the total money available. The unions will now consult their members, recommending industrial action in support of their claim. The employers remain divided about whether the offer should be increased, and about the probability of industrial action. Some unofficial action at least is quite likely, but there are no signs that the employers will make concessions at this stage. A significantly higher offer in the gas industry would make it hard to hold the present line; on the other hand endorsement of the provisional LA manuals settlement (due by 27 January) would strengthen the employers negotiating position. Ministers have agreed to stand firm against any pressure to endorse an increased offer and to refrain from commenting on the negotiations at this stage.

### 3. Gas Supply Manuals (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The claim, which the unions say is worth 23%, seeks increases of 15½% in line with inflation, and consolidation of bonuses at a sum equivalent to one-third of basic pay, this sum to be paid to all workers. (At present bonuses range from nil to 50%). Other improvements sought are: reduction of working week from 40 to 37 hours, increased holidays and increased holiday pay, paternity leave, phased reductions in hours prior to retirement. The pay assumption underlying the EFL was set at 10%. The BGC responded at a meeting of the NJIC on 7 January with an offer worth about 8% on the pay bill. The standard working week would be reduced to 38¾ hours from 2 August. This was rejected by the union representatives. The NJIC is due to meet again on 30 January.

### 4. Electricity Supply

(i) Manuals (92,000)

Settlement date: 20 March

Unions: EETPU, GMWU, AUEW, TGWU

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The Electricity Council has received a claim for:

- (i) a substantial increase in schedule salaries
- (ii) a reduction in working hours to 35 a week
- (iii) unsocial hours payments to be based on the hourly rate derived from the schedule salary
- (iv) introduction of voluntary early retirement at age 60.

This was discussed at the meeting of the NJIC on 8 January, when the Council formally took note. The employers will respond at the next NJIC, on 5 February, and the Council expects to reach agreement in March.

The Council does not yet know what percentage increase the unions intend to claim. The Industrial Relations member believes that while the union leaders in the supply industry understand the real position on miners' wages, it will be very difficult to reach a settlement which cannot be presented to the industrial staff as similar to that the miners achieved.

(ii) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

It is expected that, as last year, the power engineers will await the industrial settlement before tabling their own claims.

An indication of the EPEA's likely attitude was given in an article by the General Secretary in the December issue of the union's Journal. The position of the power engineers is compared to that of the firemen. It is claimed that the engineers have an existing formula linking their scales to the pay of the industrial grades for whom they are responsible. The article says that EPEA members possess real industrial powers, whereas the firemen do not.

/The Electricity Council

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The Electricity Council Chairman attended the meeting of 18 December between the Chancellor and Nationalised Industry Chairmen and is thus acquainted with the Government's views on the level of pay increases. The EFL pay assumption is 10%.

5. British Airways - (50,000)

Settlement date: 1 January (1 April for pilots and flight engineers)

Unions: TGWU, AUEW, EETPU, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA.

At the start of the negotiations, BA met all the unions jointly and proposed 7½% from 1 July 1981, with no increase until then. After internal consultations, the TU side decided on 5 December that central negotiations and the offer were both unacceptable and insisted on separate negotiations within the eleven National Sectional Panels as in past years. BA has since met 8 of the Panels. In each case the opening offer was rejected and BA moved to a revised offer of 8% from 1 April. The unions have been consulting their members and will hold a mass meeting on 14 January to consider a proposal for a 24-hour strike on 23 January.

6. British Steel Corporation (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS, APEX, SIMA.

The Corporation has presented the unions with a "survival plan" which envisages upwards of 20,000 redundancies, and has proposed pay increases of 7% from 1 July 1981, with no increase from 1 January. BSC has also told the unions that if things did not work out as planned in the first half of 1981, they would have to take steps to raise funds for the 7%, and these steps might include additional redundancies.

/It is reported that

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It is reported that the NUB, the craft and general unions, and SIMA (the managers' association) are advising their members to accept the offer. BSC has put the issues to the whole workforce in a ballot returnable on 16 January.

The ISTC is balloting its members as to whether they will accept the pay offer and whether they endorse the plan. Members are reportedly being advised to reject the plan, but are given no recommendation on the offer. Ballot papers are returnable by 16 January.

BSC meets the general and craft unions again on 19 January, and ISTC on 20 January.