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**CONFIDENTIAL**

Prime Minister

(2)

Dear Sir to  
replies Mrs 23/11



J Verkerke  
Advised  
Mrs 18/11

Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

MONITORING REPORT : PUBLIC TRADING SECTOR

... I attach the latest report.

2. The main development is of course the rejection by the NUM's National Executive Committee of the NCB's revised offer. But we can consider this separately in the light of what Nigel Lawson reports.

3. Otherwise I would only draw attention to the situation at British Steel, where the Chairman's warning some weeks ago that a national pay increase could not be afforded seems so far to have met with a relatively muted reaction from the unions. It would be helpful if Patrick Jenkin could let us know whether this is likely to remain the case, or whether he sees any significant risk that a damaging confrontation might develop.

4. I am sending copies of this minute to the Home Secretary, Chancellor of the Duchy, the Secretaries of State for the Environment, Industry, Trade, Transport, Energy, and Employment, and to Sir Robert Armstrong and Mr Ibbs.

(G.H.)

16 November 1981

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PUBLIC TRADING SECTOR

- 1 British Telecom: HCO, EO and HEO grades (7,000)  
 Settlement date: 1 July 1981  
 Union: SCPS

SCPS members voted by a narrow margin to reject an offer worth 10% on earnings which all other BT negotiating groups have accepted.

The union continues to press for pay parity with telephone engineers who, they say, have a 10% lead over the rates offered to SCPS grades. The union has organised limited industrial action which has led to delays in the issue of telephone bills in the London area.

- 2 Post Office: Postal Supervisors etc (14,800)  
 Settlement date: 1 July 1981  
 Union: CMA

The CMA have rejected an offer of 11% increase on paybill, which includes a 7% forward commitment, payable from 1 July 1981, entered into as part of the 1980 pay and efficiency agreement. They contend that the 7% should not be part of the current offer, and are preparing a unilateral reference to the Post Office Arbitration Tribunal. The case is to be heard on Thursday 19 November, and a decision is expected by early December.

The PO Chairman has given the PO unions the six months notice required to terminate the present arbitration agreements which, although not legally binding, commit both parties (the PO subject to any statutory obligations) to accept the POAT findings. He has warned the CMA that he will only be prepared to pay what he considers the business can afford. Agreement has been reached between the PO and the CMA for an interim increase in pay of 9% at all scale points, with effect from 1 July 1981.

pending arbitration

3 United Kingdom Atomic Energy Authority: Manuals (4,700)

Settlement date: 1 October 1981

Unions: AUEW, TGWU, GMWU, EETPU

The Authority's opening offer of 4.5% increase on rates was rejected as unrealistic by the unions at a meeting on 15 September. A further meeting has now been arranged for 25 November between the Authority and their trade unions at which pay is the main item. The Department of Energy understand that no new offer will be made by the Authority.

Management are understood to have in mind the advantages of moving the manuals' settlement date to 1 April - the non-industrials' date - and aligning the pay and financial years. Any such change would mean a pro-rata adjustment to the offer.

4 Coalmining - Manuals (198,000)

Settlement date: 1 November 1981

Union: NUM

At a meeting<sup>on</sup> 16 October the NUM presented the NCB with a claim for -

£100 a week basic minimum for surface workers (an increase of 23.7% on present rates); payment on a salary basis; improved differentials; reduced hours, preferably in the form of a 4-day week; improved holiday pay; and earlier optional retirement, at age 55.

That meeting and a subsequent one on 19 October resulted in an offer costing a total of £71 million in a full year (excluding associated costs), and equivalent to 6.5% on basic rates, 5.2% on average earnings.

The NCB and NUM met again on 11 November. By the end of a full day of negotiation the NCB had increased their offer to £100 million, representing 9.1% on basic rates and 7.3% on earnings. The offer comprised:

- a) a 7.8% increase in basic rates
- b) a £1 increase in the standard rate of incentive payment, currently £30 per week.
- c) improvements in holiday pay for men with long service.

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The NCB made it clear that this was their final offer, and Mr Gormley suggested that it should be accepted. However, on Thursday 12 November the NUM's National Executive Committee unanimously rejected it and asked for another negotiating meeting. This has been arranged for 25 November, with the whole NUM NEC in attendance.

The NCB will be considering their line at this meeting: some re-jigging within the present offer may make it more acceptable. Many of the difficulties at present with the NEC arise because the 'right' does not wish to be outfaced by the 'left' in the contest for the NUM Presidency. The ballot for this takes place between 2 and 4 December.

The miner's settlement can be expected to influence the general shape of the round despite the fact that most other unions recognise that they may not be able to achieve the same level. In particular the settlement will be taken as a benchmark for other major groups in the public utilities.

## 5. Water Service: Manuals (30,000)

Settlement date: 7 December 1981

Unions: GMWU, TGWU, NUPE, NUAAW

At an NJIC meeting on 23 September the unions submitted a claim for pay increases not less than the rate of inflation; reductions in working time towards in eventual 35 hour week (now 39); and increased annual holiday entitlements (now 19-24 days according to service). The employers' side made no response.

When the NJIC met on 5 November the employers put forward a pay offer, estimated at 6.7% increase on basic rates or 6.5% on average earnings, and in addition 1 extra day of annual holiday. The unions rejected the offer and after further discussion the parties agreed to meet again on Wednesday 18 November. The meeting date was chosen so that the outcome of the miners' negotiations on 11 November would be known and in time to permit a settlement ratified by the work-force close to the settlement date of 7 December. It is understood that the NWC is in close touch with the NCB.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas mid-January: Electricity February/March). They may also influence the negotiations with the Local Authority manual workers. The Scottish local authority water service have for the last two years directly followed the settlement for English and Welsh water workers.

6 British Steel Corporation: All grades (110,000)

Settlement date: 1 January 1982

Unions: ISTC, GMWU, TGWU, SIMA, NCCC, NUB, MATSA, ACTSS, APEX

On 25 September BSC employees were told in a letter from their Chairman that the Corporation could not afford to pay a national increase in the current pay round, and that any pay rises next year must be geared to productivity deals at local level. Mr McGregor said that a national pay award could have disastrous effects and might lead to plant closures.

The ISTC are seeking talks with BSC about the line which the corporation are taking. The press reports that the ISTC have threatened concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks are closed, and have instructed members to take no part in local level productivity talks. National meetings are being held, however.

In the last pay negotiations (settlement date 1 January 1981) the Corporation obtained the agreement of the unions to its "survival plan" (although ISTC resisted until its annual conference in mid-June) with a settlement of 7% increase on basic rates from 1 July 1981 (ie a 6-months pay freeze), which amounts to a 3.5 per cent increase for the year.

7. British Airways: All grades except pilots\* (50,000)

Settlement date: 1 January 1982

Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS, GMWU, FTATU, UCATT

On 10 September British Airways announced to staff and unions the launch of a "rescue plan" aimed at stemming losses approaching £100 millions in the current year and £250 millions in the two year period to April 1982.

\* (Pilots' pay is normally reviewed wef 1 April. In 1982 it is expected that the effective date will be deferred in line with other grades' settlements).

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So far as staff and pay are concerned the plan involves a reduction of 9000 jobs by June 1982, by early retirement, voluntary severance and natural wastage, and a pay freeze at least until September 1982, when the situation will be reviewed. Other features of the plan include the renegotiation of many working practices, cuts in routes and stations, and the sale of aircraft and property.

The press reports an unexpectedly high response to the severance scheme.

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