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cc. J. Jordan
A. Duguid

(2)



Prime Minister

To note

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

MUS 2/12

PRIME MINISTER

A handwritten signature in blue ink, appearing to be 'MUS'.

MONITORING REPORT : PUBLIC TRADING SECTOR

... I attach the latest report.

2. The coal and water negotiations continue to dominate the scene. In both cases the next negotiating meeting has been arranged for 8 December. The coincidence is unfortunate ~~and~~ since further moves in the water industry negotiations might affect the attitude of the NUM National Executive Committee when it meets on 10 December to consider its next moves.

3. The point in your Private Secretary's letter of 30 November about the presentation of the NCB offer is, however, relevant. The public emphasis on the 9.1 per cent basic rate figure has been used by the water industry to justify its offer of 8.1 per cent on rates, though that offer is actually worth more (7.8 per cent) on earnings than the NCB offer (7.3 per cent). This has confirmed the misgivings which I expressed as long ago as 8 October about presenting settlements in the most generous possible light. Nigel Lawson's letter of 1 December comments that the NCB now have a difficult task in avoiding a significant increase in their present offer. Clearly this must be the main objective, and we should not press tactical proposals which might make it more difficult to achieve. But I am sure that Nigel will want to consider carefully the point which you have made. We may need to give further thought to

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presentation when the results of the meeting on 8 December are known.

4. The report also indicates that early moves are likely in the municipal bus negotiations. David Howell will no doubt let us know as soon as he can what opening offer is likely at the 12 December meeting.

5. 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.)

8 December 1981

PUBLIC TRADING SECTOR

British Telecom: HCO, EO and HEO grades (7,000)

Settlement date: 1 July 1981

Union: SCPS

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

The SCPS claim that Management earlier agreed to parity with the executive engineering grades.

Limited industrial action has led to delays in the issue of telephone bills in the London area. Management has issued an ultimatum that the pay offer will be withdrawn if the action is continued after 11 December.

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. The union's submission that the 7% should not be part of the current offer was heard by the Post Office Arbitration Tribunal on Thursday 19 November. 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 CMA for an interim increase in pay of 9% at all scale points, with effect from 1 July 1981.

* [The effect on basic rates or average earnings is not available.]

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

Settlement date: 1 October 1981

Unions: AUEW, TGWU, GNMU, 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. There were no further meetings until Wednesday 25 November. In the course of that meeting management improved their offer to a 5% increase on rates and also undertook to consider the possibility of reducing the working week by 1 hour. Union negotiators reserved their reply and asked for an adjournment until January (date to be arranged).

4 Coalmining - Manuals (198,000)

Settlement date: 1 November 1981

Union: NUM

On 6 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.

In the course of 3 negotiating meetings the NCB has increased the sum available for the settlement from £71 to £100 million. The package offered on 11 November - which the NUM National Executive Committee unanimously rejected - comprised:

- | | | |
|-------|--|------------------|
| (i) | 7.8% increase on basic rates: | cost £85 million |
| (ii) | 3.3% increase in standard incentive pay: | " £7 " |
| (iii) | provision of holiday bonus for long service: | " £8 " |

The offer represented an increase of 7.3% on average earnings. The Board estimated that if the £100 million were applied to basic rates only, they would increase by 9.13%, and it is in this way that the offer has been generally presented.

Negotiations were resumed on 25 November. No more money was made available and no progress was made. The Board sought to put a further gloss on the offer by presenting its worth to employees with from 5 to 25 or more years service (roughly half the workforce), as basic rate increases ranging from 9.3 to 10.4%. The talks were adjourned until Tuesday 8 December.

Voting for the new NUM President takes place between 2 and 4 December and the result is expected on 7 or 8 December. The NUM NEC has arranged to meet next on 10 December.

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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, TGMU, NUPE, NUAAW

The unions have claimed pay increases not less than the rate of inflation, reduced hours and extra annual holidays.

The NWC's offer was improved on 18 November to 8.1% increase on basic rates (7.8% on average earnings) and 1 extra day of annual holiday. The offer was rejected and a further meeting arranged for Tuesday 8 December. It is understood that the NWC is in close touch with the NCS.

Water service manuals' settlements are influenced by the coal miners and interact with the other utilities' settlements (Gas 18 - January: Electricity February/March). They may also ^{indirectly} 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.

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6 British Steel Corporation: All grades (108,600)
 settlement date: 1 January 1982
 Unions: ISTC, GMWU, TGWU, NUB, NCCC, MATSA, SIMA

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 further major plant closures. BSC plans envisage a workforce of 90,000 by April 1982.

The ISTC (with some 70,000 members) responded by threatening concerted industrial action by steel, coal and rail unions ("the triple alliance") if major steelworks were closed, and instructed union members to take no part in local level productivity talks. In October BSC told ISTC that it would be imprudent in present circumstances to incur the added costs of introducing a 39-hour week from 1 January 1982, as had been agreed at the end of the 1980 strike.

The BSC had a series of meetings with ISTC representatives between 19 and 26 November to discuss the overall situation. The talks are to continue next week.

The NUB (with some 5500 members), in separate discussions with BSC on 23 November, agreed not to submit a national claim in 1982, but to rely on local productivity agreements. On its side the BSC agreed to consolidation of some existing productivity payments, improvements in pensions conditions from April 1982, and the introduction of the 39 hour week from 1 January 1983.

The craft and service unions and SIMA are to meet with Management for discussions on Monday 30 November.

7 British Airways (a) All grades (excluding pilots) - 50,000 (b) Pilots 3,500
 Settlement dates: (a) 1 January 1982 (b) 1 April 1982
 Unions: TGWU, AUEW, EETPU, NUSMWC, ACTSS, APEX, ASTMS, GMWU, FTATU, UCATT

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

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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.

An unexpectedly high response to the severance scheme has been reported and so far there is no indication of union resistance to the proposals.

8 Gas Supply: Manuals (43,400)
Settlement date: 17 January 1982
Unions: GMWU, TGWU

The unions have submitted a claim to Management covering -

- (1) An increase in rates to maintain the value of the pay packet - taking account of both inflation and taxation levels.
- (2) A reduction in working hours.
- (3) Consolidation into basic pay of bonus earnings and "general obligations payment".
- (4) Payment of average earnings during holidays.
- (5) Improvements in shift and stagger pay.
- (6) A change in the basis of awarding local holidays.

Management have said that this "ambitious and complex" claim will be studied in detail. No early meeting of the NJIC is in prospect.

These negotiations are strongly influenced by the miners' settlement and have repercussions for the Electricity Supply Manuals (March 1982). The Gas, Electricity and Water industries closely watch each others negotiations.

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9 Municipal Buses: Platform and non-craft maintenance staff (15200)
Settlement date: 1st full pay week in January 1982
Unions: TGWU, GMWU

The unions have submitted in writing to the Employers' Side of the NJIC for the Passenger Transport Industry a detailed case in support of a national claim for:-

- (1) A substantial increase in basic rates.
- (2) Extension of current holiday entitlement to 5 weeks.
- (3) Bank holidays to be treated as annual holidays for pay purposes.
- (4) Consolidation into basic rates of current supplement for S/S and U/S Maintenance workers coupled with a restoration of the differential with Municipal Passenger Transport Undertaking Craftsmen.
- (5) A reduction without loss of earnings in the scheduled working week.

The employers intend to respond in writing to the unions' submissions at an NJIC meeting on 4 December, then consider all the arguments and probably make an opening offer, at a further meeting on 12 December.

The Municipal Bus settlement is closely followed by the National Bus Co (March 82) and influences settlements in the Passenger Transport Executives.

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