CONFIDENTIAL

BK

FILE

10 DOWNING STREET

From the Private Secretary

5 June 1981

London Transport: Pay

The Chancellor of the Exchequer minuted the Prime Minister on 29 May commenting on your Secretary of State's minute of 21 May: he suggested that Mr. Fowler should make a statement setting out the Government's views on London Transport pay.

The Prime Minister very much agreed with this suggestion, and she is glad to note from Mr. Fowler's subsequent minute of 2 June that he is proposing to make a statement. I understand that it was not after all possible for him to make the statement at the meeting of the Consultative Council for Local Government Finance on Tuesday or in Parliament on Wednesday; but that he is still intending to make it before Monday - when the British Rail arbitration begins.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy and Trade, Mr. Ibbs and Sir Robert Armstrong.

T. P. LANKESTER

Anthony Mayer, Esq.,
Department of Transport

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E.R.

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PRIME MINISTER

London Transport: Pay

Norman Fowler has minuted to you indicating his intention to make plain the Government's views about the GLC's apparent willingness to meet a 13% pay claim from London Transport, either at the Local Government Consultative Council or in Parliament.

In the event, Mr. Fowler has not had an opportunity to make this statement, but I am assured that he does intend to find a suitable opportunity to do so before Monday - the day on which the British Rail arbitration begins.

4 June 1981

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Prime Minister

Mr Fowler is going to make plain the Government's views.

✓ Mr Ingham
Mr Vereker
Mr Duguid

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Prime Minister

LONDON TRANSPORT: PAY

I have seen the minute to you from the Chancellor of the Exchequer commenting on my minute to you of ~~29~~ 9 May.

I very much agree with the Chancellor that there are occasions when a well timed and well publicised statement of the Government's views can be extremely effective. I believe that the letter which I sent to the Chairman of the Federation of Public Passenger Transport Employers last Autumn, and to which we gave maximum publicity, did have some real effect on the situation - with the exception of South Yorkshire.

I would not expect any statement by me to have much effect upon the GLC, immediately after an election in which they made it clear that they intended to cut fares by 25%, and to "negotiate a new deal for staff". I think that it is important that we leave the general public in no doubt about the cost of these policies, and of the Government's determination not to waste taxpayers' money on them.

There might be an opportunity for me to do this today at the meeting of the Consultative Council for Local Government Finance, though time may be too short. But, in any case, I have a suitable PQ for oral answer on Wednesday, and propose to use that to make the Government's position clear, and to make the kind of points suggested by the Chancellor.

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

NORMAN FOWLER

2 June 1981

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cc J Vereker

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Prime Minister

Mr Fowler is now considering this proposal. I think we should push him a little.

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

PRIME MINISTER

Yes - but this minute is far from clear on Agree? How to proceed? I doubt it

LONDON TRANSPORT PAY

Flag A

I have seen Norman Fowler's minute to you of 21 May following the Chief Secretary's minute of the same date, both of which draw attention to the immediate problem on London Transport pay which has arisen from the change in political control of the Greater London Council.

2. The prospect is apparently of an early settlemnt for tube workers which is well into double figures, with unwelcome repercussions for British Rail, for the London Transport busmen, and perhaps more widely. And we may well be faced with further problems as a result of irresponsible behaviour on pay by the new Labour leaderships of other authorities, which could have a damaging cumulative effect in the run up to the next pay round, with obvious implications for public sector costs.

3. We therefore need to make a resolute response. I certainly appreciate the limitations on our ability to influence the outcome. But I am not sure that we have yet reached the point, as Norman suggests, where there is no action which we can usefully take.

4. What I have in mind is that Norman should spell out again for the GLC what he said last August in a statement on bus pay. This was to the effect that he would not be prepared to see taxpayers money being used to finance high pay settlements, and would certainly have this point very much in mind in reaching decisions about the level of central government support for local authority transport expenditure. It would be useful to emphasise at the same time that a settlement at the level

/demanded

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demanded by the NUR would be out of line with the average level of settlements in both public and private sectors, now into single figures, and out of touch with economic and financial reality. The message would be that such settlements could not be regarded as sensible precedents and that the Government had no intention of underwriting local authority decisions to support settlements at that level.

?

5. I recognise that this is difficult ground. Norman Fowler and Michael Heseltine will be best placed to decide how the point should be put across. But I think that the Government's position needs to be put firmly on the record with the GLC, and with any other major authorities who seem intent on similar action.

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

(G.H.)

29 May 1981

CONFIDENTIAL

Tim:
Can we have a word?
MT

MR LANKESTER

cc Mr. Wolfson
Mr. Ingham
Mr. Duguid

London Transport Pay

Mr. Fowler minuted the Prime Minister on 21 May, in the context of the monitoring report attached to the Chief Secretary's minute of the same date, about the pay of the London Transport tube workers. He suggests that as he has no statutory powers of control over LT, there is no action we can usefully take.

The immediate consequences of a 13 per cent settlement for LT, if the GLC were prepared to give them that much, would be felt by the ratepayer; but there is likely to be a close link between LT tubemen and LT busmen, and almost as close a link with British Rail. Those concerned with BR feel it highly unlikely that a reasonable settlement could be achieved with them if LT had received 13 per cent.

So we should not let this go by default if there is anything that can be done. The Prime Minister should know that the Chancellor is being advised that Mr. Fowler does in fact have some control over LT through the Transport Supplementary Grant; as in the case of the busmen last year, he can make it clear that he will not adjust the grant so as to allow for unreasonable settlements. Both the Chancellor and Mr. Heseltine may be minuting the Prime Minister about this shortly, and I hope she will not endorse the line proposed by Mr. Fowler until she has seen their advice.

27 May 1981

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Prime Minister

A M Verbe

Original filed on:-

Econ Pol: Public Sector Pay Policy: Pt 4

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

... In the Chancellor's absence I am circulating the latest report with this minute.

2. The power engineers have now settled for just under 11½ per cent, reinforcing the point in the Chancellor's minute of 7 May about the high level of settlements in the monopoly public utilities.

3. Underlying the updated information on the London Transport Executive rail employees is the risk that the new Labour leadership on the GLC will concede a double figure settlement which is little below the 12½ per cent claim. That would probably reopen the settlement for busmen, and would have serious implications for the British Rail negotiations, where the unions have invoked unilateral arbitration. The position was reported orally by Norman Fowler at E Committee earlier this week. It would be very helpful if he were now able to let us have a written report of his assessment of the situation, and of any action which he proposes to take.

4. This may, of course, be only the first of a succession of issues which we will face as a result of the changed political balance in the local authorities. I would ask colleagues to be alert to any such developments and to let us have early reports on them.

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

L.B.

LEON BRITTAN

21/5/87

PUBLIC TRADING SECTOR

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GAS SUPPLY

(i) Gas Staffs and Senior Officers (58,500)

Settlement date: 1 June

Unions: NALGO, GMWU, MATSA

The industry's recent settlement for manual workers gave increases of 9.7% to 10.7% on basic rates, other pay improvements, extra holidays and a 1¼ hour reduction in the working week, and was estimated to cost 12.6% in a full year.

The staff unions are seeking general increases, grade restructuring, increased leave and a reduced working week of 35 hours. The claim is unquantified but the unions are stressing their assessment of the RPI movement since their last settlement - 14.8%, the manuals' increase which they put at 12.7% and the industry's high profitability.

On 30 April BGC offered increases ranging from 7% to 9% and on 12 May raised the offer to 7½% for juniors under age 18 and 9¼% for adults. The unions declared themselves "extremely unimpressed" by the offer, which makes no proposals on the non-money items of the claim. The negotiations were adjourned and no date has been given for their resumption.

(ii) Higher Management (3,500)

Settlement date: 1 July

Union: NALGO

The group lodged a claim unexpectedly early, in April, indicating that they are seeking increases in line with inflation. No specific figure is claimed but the union gave its estimate (made prior to the Budget) that the rise in the RPI since their last settlement would be 15.4%. At the JNC meeting held on 14 May BGC's offer of 9¼% was rejected. The next meeting is on 28 May.

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ELECTRICITY SUPPLY

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

Settlement date: 1 February

Union: EPEA

When the parties met on 22 April the Council made a slightly improved offer of 10.8% for lower grades of the Engineers' scale, tapering to 6.8% at the top. Other adjustments to pay and a reduction in working hours are also under discussion. The EPEA rejected the offer on the grounds that it failed to preserve their established relationship with the industrial grades.

The NJB met again on 19 May and a settlement was reached. Average increases of around 10¼% were agreed together with a reduction of the working week by one hour and some improvements in holiday arrangements for certain senior staff. The total cost of the settlement over a full year is expected to be just under 11½%.

(ii) Clericals (50,000)

Settlement date: 1 May

Union: NALGO

The NJC meets on 26 May. The Electricity Council intends to negotiate a settlement which does not exceed that of the manuals. There may be difficulties since NALGO is claiming the manuals gained a 2% advantage as a result of their 1980 settlement and later restructuring agreement, and the clericals wish their former relativities to be restored.

BRITISH NUCLEAR FUELS LTD

Non-Industrial Staff (6,275)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

BNFL staff were historically associated with civil service rates and the main unions are civil service unions currently in dispute with the Government over civil service pay. No specific amount has been claimed, only "substantial" increases.

An initial offer of 5% was raised to 6% on 24 April. This was rejected.

There was a 1-day strike on 29 April, for which the unions claimed 80-90% support. This was followed by a work to rule and a ban on overtime. The unions are reported to have promised full safety cover. The effects of industrial action will be to disrupt production of nuclear fuels and to restrict or stop output from Calder Hall and Chapel Cross power stations (not expected to affect supplies to consumers).

No date has been arranged for the resumption of negotiations. Settlement of BNFL pay would normally await the conclusion of the Civil Service settlement.

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

Staff (8,700)

Settlement date: 1 April

Unions: IPCS, CPSA, SCPS, AGSRO

UKAEA salaries are directly linked to those of civil servants and the settlement of UKAEA scales therefore awaits the conclusion of the civil service settlement. The main unions are civil service unions currently in dispute with the Government over civil service pay. There has been some participation by UKAEA staff in the civil service action. About 40% supported the 1-day strike, and a smaller number the half-day. A section of workers at Winfrith is currently involved in industrial action, but so far this has not spread to other sites.

WATER SERVICES

Staff (31,500)

Settlement date: 1 July

Unions: NALGO, GMWU, NUPE, GLCSA, TWSA

On 30 April the unions submitted a claim for 17%, shorter hours and longer holidays. No offer was made at that meeting.

The NJC meets next on 22 May.

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 obtained the agreement of all unions except ISTC to its "survival plan", and to pay increases of 7% from 1 July, 1981, with no increase from 1 January.

ISTC has rejected the pay offer and refused national agreement on the survival plan, although they are willing to engage in local negotiations on redundancies in particular plants. No arrangements have been made for a resumption of negotiations with ISTC and if the union's position does not change it is BSC's intention to implement the 7% increases from 1 July notwithstanding the absence of a fully agreed settlement.

BRITISH AIRWAYS (50,000)

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

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

Settlements have now been agreed for well over half of the work force. Negotiations have been taking place in the separate National Sectional Panels on the basis of the Board's offer of 8% from 1 April, with no increase from 1 January. Both sides have accepted variations in the elements of the package applying to groups covered by particular Panels, while keeping within the planned overall cost.

Of the groups which have not yet come into line, the cabin crews and engineering and maintenance workers have accepted the overall cash limits and are engaged in detailed negotiations on the make-up of their settlements. Consequent on BA's introduction of new classes of cabin and changed arrangemen for meals and services to passengers, the cabin crews are engaged in negotiatio on manning and are considering strike action. This dispute is entirely separat

from and has no connection with the negotiations on the annual pay claim . Ram workers have not yet accepted the overall cash limits but management expects th to do so eventually. Negotiations with the pilots are at a less advanced stage. It may be another 3 or 4 weeks before they come near to a settlement.

CIVIL AVIATION AUTHORITY (All grades - 8,000)

Settlement date: 1 April

Unions: CPSA, CSU, IPCS, SCPS, UCATT, EETPU, AUEW, GMWU, TGWU, NUSMW

CAA staff were originally civil servants and remained civil servants until 1975 when they became direct employees of the CAA. Since then their link with civil service pay has been maintained by agreement and increases have been in line with those agreed for civil servants with only minor variations. Four of the unions are civil service unions currently in dispute with the Government on the civil service pay claim.

A number of air traffic control staff have been supporting the civil service action with a campaign of selective strikes which has caused considerable disruption to services on the selected occasions.

Passenger Transport Executive Non-Manual Staff (5,500)

Settlement date: 1 April 1981

Unions: NALGO, ACTSS

Negotiations opened on 5 March with a 6% offer which was rejected. A subsequent offer of 6.5% was also rejected and on 1 May the unions undertook to put an improved offer of 7.5% to their members, but without a recommendation. A union delegate meeting took place on 19 May at which the offer was rejected. Industrial action has been threatened but employers will stand firm.

In September 1980 this group negotiated a staged settlement which changed their ASD from 1 September to 1 April and gave increases in average earnings calculated at 13.29% in the 12 months period 1 September 80 to 31 August 81.

South Yorkshire PTE (Platform Staff - 3,000)

Settlement date: 1 April 1981 (formerly 9 October 1980)

Union: TGWU

Earlier this round a 6 months pay settlement was agreed between the PTE and its platform staff for an 8% increase in rates to run from 9 October 80 (the ASD at that time), with a review on 1 April 1981 (the new ASD). From 1 April 81 the PTE offered an increase on rates of 7.5 which the union rejected.

After further negotiations platform staff have voted to accept an offer which increases basic rates by 11%. Management estimate the paybill cost at less than 9%. No forecast can be made of the likely effect on average earnings.

ritish Rail (Clerical and Conciliation grades - 150,000)

Settlement date: 20 April 1981

Unions: TSSA, ASLEF, NUR

The 3 rail unions submitted a claim for "substantial pay increase" on 19 March. Negotiations opened on 13 April with an offer of 7% increase on pay rates which, after consideration, union negotiators rejected. Further meetings were held on 16 and 28 April at which BR were unable to improve their offer.

The unions have since decided to refer their claims to the Railway Staff National Tribunal. An award on a unilateral reference to the Tribunal would not be binding; but would be difficult to ignore.

The RSNT hearing will take place on 8 June, and the result is likely to be known in early July. BR will be making strong representations that it is in no position to fund an increase above 7%.

London Transport Executive (Rail Supervisors, Booking Office and Conciliation Grades - 15550)

Settlement date: 20 April 1981

Unions: ASLEF, NUR, TSSA

The 3 rail unions submitted a claim for a 12.5% increase on 31 March. On 7 April the unions rejected a 6% offer. At a meeting on 7 May LT argued that their offer to rail staff could not exceed the 8% increase already under consideration by the LT bus staffs. The NUR (leading the TU side) found the offer unacceptable, but nevertheless agreed to put it before the Unions' Executives. Their formal rejection was given to LTE on 15 May.

While the union strategy seems to have been to await the outcome of the BR arbitration, the change in the political complexion of the GLC could lead to negotiations being resumed shortly. Should this happen, and the tube men achieve an increase above 8% there would be great pressure from the TGWU to reopen the bus settlement, and the repercussions for BR are obvious.

London Transport Executive (Rail Workshops Wages Grades - 3000)

Settlement date: 22 April 1981

Unions: ASBSBSW (Boilermakers, Shipwrights, Blacksmiths and Structural Workers) AUEW, EETPU, FTATU (Furniture, Timber and Allied Trades), NSMM (Metal Mechanics), NUSMWCHDE (Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers), NUR, TGWU, UCATT (Construction and Allied Trades Technicians).

The unions presented a claim for 12.5% pay increases on 5 May. BR has made no response. As in the case of the LT Underground claim (reported above) negotiations seem likely to wait for the RSNT award for BR clerical and conciliation grades (but see previous paragraph on conciliation grades).

London Transport Executive (Bus Drivers and Conductors - 19800)

Settlement date: 28 March 1981

Union: TGWU

On 3 April TGWU claimed pay increases in line with RPI movements, a 35-hour week (from 39 to be introduced in Nov 81) and extra annual holidays. They rejected an offer of 7.5% increase in basic rates. On 22 April LT improved the offer to 8% on basic pay, an increase in receipts bonuses (worth about 0.5%), one extra day of annual holiday, and the question of the reduction of weekly hours to 38 to be referred for Committee consideration.

TGWU delegates recommended that the offer should be balloted by members at all garages, and it has been accepted.

London Transport Executive (Road Workshops Wages Grades - 3540)

Settlement date: 22 April 1981
Unions: ASBSBSW, AUEW, EETPU, FTATU, NSMM, NUSMWCHDE, TGWU, UCATT

LT have offered their Road Workshops grades the same package as Bus Drivers and Conductors (8% on basic pay, a minor bonus improvement, one extra day of annual holiday and a promise to consider the possibility of a 38-hour week).

The unions are to consult their membership. The results are expected shortly but the early signs point to acceptance.

Post Office (Postal workers - 156,000)

Settlement date: 1 April 1981
Union: Union of Communications Workers (UCW)

In response to a claim for 20% increases accross the board, PO offers of 6% 6% plus a further 2% from 1 October, and 8% plus a further 1% from 1 October, were all rejected. After a negotiating meeting on 15 April the Post Office improved their offer to 8% on basic rates and allowances from 1 April, and a further 1.5% from 1 November 1981 (costed at 8.5% in the 1981/82 financial year).

UCW negotiators recommended the offer and postal workers have voted to accept it. Average earnings are expected to increase by about 8.5%.

BRITISH TELECOM

Settlement date: 1 July 1981

Unions: (representing BT Engineering Workers)

POEU: (Engineers, Technicians, MT, DO and Photoprint, Supplies, Factory Grades etc - 130,000)

SPOE: (Executive Engineers and Assistants, Inspectors, Technical Sales and Traffic Supervisors etc - 16,500)

In advance of formal union claims British Telecom have reached a provisional agreement with POEU and SPOE negotiators which their Executives will recommend strongly to their annual conferences (1 to 5 June).

The proposed deal comprises a 9% increase in basic pay; the consolidation of a 1% productivity payment agreed in the last pay round (not new money); and a guaranteed 2% productivity payment replacing producivity payments agreed in the 1980 pay round.

British Telecom state that the deal will add 9% to their pay bill. The Department of Industry consider this to be realistic on the basis that some savings will result from the productivity deal.

No estimate is available of the affect of the proposals on average earnings.

Original filed on:-

Econ Pol: Public Sector Pay Policy: Pt 4

Also - we have no choice but to accept when we change the law.

cc Mr Wolfson
Mr Vereker
Mr Duguid

Prime Minister

Mr Fowler feels unable to intervene in the renewed negotiations with LT, despite the likely impact elsewhere. Content to accept this?

MAP 24/5

PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

The Chief Secretary's minute to you of today's date with the latest monitoring report draws particular attention to the problems which could arise following the change of political control at the GLC.

I reported on the situation orally at E Committee earlier this week. The London Transport (LT) busmen have settled at 8 per cent, and I know that the TGWU are not anxious to upset this. But they will be forced to ask for the settlement to be reopened if the tube workers get substantially more.

Up till now the rail unions have been content to postpone further talks about tube pay until they had settled with British Rail (BR); the BR claim will be taken to arbitration on 8 June. But LT have been instructed by the new Leader of the GLC to settle the tube workers' pay claim quickly, even if this means increases in double figures. The rail unions have been told of this and, today, the NUR have told Sir Peter Masefield, the Chairman of LT, that they want an immediate resumption of talks, that their minimum demand is 13 per cent, and they know this is acceptable to the GLC.

Sir Peter Masefield's own position at LT is not strong. He had in any case only accepted the Chairmanship for a single year virtually on a caretaker basis. He could easily be replaced quickly by the new GLC. I do not know how long he will feel able

to resist these demands which could, of course, create great difficulties for BR as well as leading to a much higher revised settlement for the bus workers.

As you know, I have no statutory powers of control over LT. As matters develop we may well need to consider changing the law. But I do not see that, in advance of that, there is any action which I can usefully take, since there is no sign at all that the new GLC have any intention of acting reasonably.

Copies of this minute go to the Home Secretary, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment, Energy and Trade, the Chief Secretary, Mr Ibbs and Sir Robert Armstrong.

NORMAN FOWLER

21 May 1981