

MUS
PM has seen
MCS to see O/A



cc Press
cc J.V.
net. Ind!

CONFIDENTIAL

PRIME MINISTER

M.P.
28/5

ESI INDUSTRIAL WAGE NEGOTIATIONS

Prime Minister

There is an ACAS meeting this afternoon, & we will get a report in the course of the evening. But this report is wronging.

1. As I reported in my minute of 17 May, the Electricity Supply Industry's offer to their manual workers was rejected in a ballot. The unions threatened an overtime ban from 31 May with further action from mid-June.
2. Initially, the Electricity Council planned to stand firm since the offer put to ballot had been described as "final". For their part, the union leadership had seemed to be aiming for low key action to put financial pressure on the industry but not to affect the public, at least early on.
3. However, the Council's Chairman, Austin Bunch, told me today that events were moving faster than expected. The power engineers (EPEA), who are not at present in dispute, and the manual unions have devised a plan to cut the output of large, efficient coal-fired stations to one third of normal. This is intended to avoid the loss of overtime earnings, and of supplies to the public, while forcing the CEGB to use less efficient, low merit order stations. The Council have rejected this proposal which they believe would result in serious and uncontrolled power cuts, as well as costing the industry money without financial penalty for the men.
4. The Council believe that there will now be confusion at the power stations as to what should happen next week. They doubt that the union leaders will retain full control of their members and they fear that unless they take some initiative, there is a serious risk of unplanned power cuts as early as next Tuesday.
5. They propose, therefore, to prompt ACAS "spontaneously" to call in both sides tomorrow. The gap between the industry's offer and the unions' aspirations is not large. The unions have described the existing offer as being between 7.6% and "just less than 8%". They have said they want "something like the miners' 9.3%". The Council think a settlement could be achieved for about an extra 1% (costing up to £20m). This would take the increase in the wage bill to about 8%, which could, in the Council's view, be accommodated within the industry's existing EFL.

M.P.
28/5



CONFIDENTIAL

6. I have told the Council that their proposed course of action must not result in an increased offer which the unions simply refer to another ballot. They should rather aim for a firm settlement under ACAS' auspices.
7. The industry are setting in hand their own contingency arrangements, as are we. I will report developments.
8. I am copying this minute to members of E Committee, the Secretary of State for Scotland, Sir Robert Armstrong and Mr Sparrow.

3.12 →

(Approved by the Secretary of State for Energy
and signed in his absence)

27 May 1982



PARLIAMENTARY UNDER
SECRETARY OF STATE

Prime Minister (2) ✓ Not Ind
ms 2/6
DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ
Direct Line 01-211 3390
Switchboard 01-211 3000

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
12 Downing Street
London
SW1A

ms

1 June 1982

Dear Chancellor

ELECTRICITY INDUSTRIAL STAFF: WAGE NEGOTIATIONS

As forecast in Nigel Lawson's minute of 27 May to the Prime Minister, an increased offer has now been made by the Electricity Council to the industrial unions in the electricity supply industry. The claim then was settled at a meeting of the National Joint Industrial Council at 9.00 pm on Friday 28 May. The threat of industrial action was therefore withdrawn.

The additional increase offered was £1 pw for the lowest paid workers tapering to 50 pence pw for the highest paid. In addition an extra day's holiday was offered for some workers, but there will be no increase in the maximum allowance. There were further minor adjustments in respect of standby pay; and a change in allowances for some apprentices.

The overall effect of the offer accepted by the unions would be to increase average earnings by 7.4% and the wage bill by 6.4%, although it is intended that the additional amount offered on Friday will be paid for by increased productivity and manpower savings.

The Council do not intend to give any undue publicity to this award.

I am copying this letter to Members of E Committee, George Younger, Sir Robert Armstrong and John Sparrow.

yours sincerely

Christine Sparrow

for DAVID MELLOR

(Approved by Mr Mellor and
signed in his absence)

BRITISH
POST
7.6.54

2 JUN 1954

Mellor

cc J.V. Nat. Industry



DEPARTMENT OF ENERGY
THAMES HOUSE FOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01 211 3390
Switchboard 01 211 3000

PARLIAMENTARY UNDER
SECRETARY OF STATE

Prime Minister (2)

MCs 25/6

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3HE

25 June 1982



Dear Chancellor

POWER ENGINEERS PAY NEGOTIATIONS

A settlement with the power engineers was reached at a meeting of the electricity supply industry's National Joint Board on 18 June, following an earlier discussion on 15 June when the unions had rejected an offer of 7% across all pay scales. The Electricity Council made a final offer of a pay increase ranging from 7.3% to 7.6% at the top of the scale. No increase was given to trainee engineers in their first two years. The Union side who had been pressing for a 9.2% increase across the scales were brought to accept this.

The effect of the settlement will be to increase the engineers' average earnings by 7.4% and the annual pay-bill by 7.2%.

The settlement operates from 1 February 1982.

I am copying this letter to members of E Committee, George Younger, Sir Robert Armstrong and John Sparrow.

yours sincerely

Christine Sparrow
DAVID MELLOR

(Approved by Mr Mellor and
signed in his absence)

25 JUL 1982



CONFIDENTIAL

PRIME MINISTER

ESI INDUSTRIAL WAGE NEGOTIATIONS

As David Mellor reported in his letter of 15 April to Leon Brittan, the Electricity Supply Industry's industrial staff have been ballotting on the pay offer made to them on 8 April. (The offer was equivalent to 7.1% on earnings, although this figure has not been publicly used.) The ballot paper made clear that rejection would mean taking 'industrial action'.

The result of the ballot was made known today. Out of a total workforce of some 90,000, 73,000 votes were cast. 41,000 rejected the offer - a majority of approximately 9,500. Rejection, particularly by a majority of this size, came as a surprise to the Electricity Council who are analysing the reasons for it. They believe that the fact that no increase was offered to junior staff, and that only a relatively small increase was offered to unskilled staff, may have had a powerful influence. They also believe that the unions consider that the offer was not as good as that made to the miners.

The unions have announced that they intend to ban overtime from 31 May, moving on 14 June to a selective programme of stoppages at the most efficient power stations. Collection of cash from electricity meters may also be affected. The unions have not yet decided how long this action will last, and may not finalise their plan of campaign until they have consulted area committees around the country.

The Electricity Council believe that it would be damaging to their credibility if any improvement were made by them in the immediate future to what was described to the workforce in the ballot as a 'final offer'. At the same time, they recognise that the vote will force the unions to seek a settlement that can be presented to their members as an improvement. The Council will be making informal contact with Frank Chapple and John Edmonds to establish the room for future manoeuvre, and reporting to me when they have done so. No formal meeting with the unions is planned before the next NJIC on 3 June.

At this stage it seems likely that the unions' tactics, at least initially, are to take action designed to have little effect on the supply of electricity but which will damage the industry's finances. Until we know precisely what action they propose to take it will not be possible to assess the likely effect, if any, on our build-up of power station coal stocks. A full assessment of the likely consequences of their action will of course be carried out.

The Council advise that the negotiations with the power engineers (the NJB) which were due tomorrow will almost certainly now be postponed.

I am copying this minute to members of E, George Younger, John Sparrow and Sir Robert Armstrong.

J. P. Clegg

Secretary of State for Energy

17 May 1982

(Approved by the Secretary of State and signed in his absence)

CONFIDENTIAL

Prime Minister (2)

MUS 11/5
C.W.



Nal Ind

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

10 May 1982

The Rt. Hon. Nigel Lawson MP
Secretary of State for Energy

Dear Secretary of State,

POWER ENGINEERS' PAY NEGOTIATIONS

with MCS?

Thank you for your letter of 28 April.

You indicate that the Electricity Council would need to offer increases amounting to 6.6 per cent throughout for engineers and managers to avoid any tapering of their pay scales. I assume that this 6.6 per cent would apply to earnings as well as to pay scales: you will recall that the offer to the industrials is worth 8 per cent on earnings at the top of the range, although only 6.6 per cent on basic rates.

But subject to this point, I agree with you that the Electricity Council can be left to balance the risk of industrial action if they make a tapered offer, against the risk of overlap with Area Board Deputy Chairmen's salaries if they do not taper the offer. Like you, I see no need to discourage the Electricity Council from using the 4 per cent assumption which they have made for the increase in the pay of Area Board Deputy Chairmen, which will exercise a useful discipline on what they offer the engineers and managers.

I am copying this letter to the Prime Minister, other members of E, George Younger, Sir Robert Armstrong, and John Sparrow.

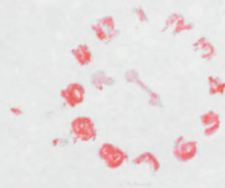
Yours sincerely
Peter Jenkins

PP GEOFFREY HOWE

(Approved by the Chancellor of the Exchequer and signed in his absence).



10 MAY 1982





PARLIAMENTARY UNDER
SECRETARY OF STATE

Rt Hon Leon Brittan QC MP
Chief Secretary
to the Treasury
HM Treasury
Parliament Street
London
SW1

Prime Minister (4) Nat Ind
C.C.J.V. M/S 1514

DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

Direct Line 01-211 3390
Switchboard 01-211 3000

M

15 April 1982

Dear Leon,

ESI INDUSTRIAL WAGE NEGOTIATIONS

In Nigel Lawson's absence I am writing to you about the meeting of the Electricity Industry's NJIC on 8 April.

The Electricity Industry made the offer described in Nigel Lawson's letter of 2 April to the Chancellor. As expected, the industrial unions said that they could not settle across the table, and would need to ballot their membership. They were not prepared to recommend acceptance of the offer, but would make it clear that if there were a majority in favour of acceptance, agreement would be reached with the Council on the basis of this offer. The ballot paper will offer a clear choice between acceptance and rejection; it will state that rejection implies industrial action. It is expected to be five weeks before the result is known. The Electricity Council believe that there is a reasonable chance of a majority in favour of settlement, though much will depend on what the unions tell their members. They expect that the unions will say that the offer is "about 9%" and comparable with what the miners got. The Electricity Council will be encouraging the various Boards to do what they can to promote acceptance. It is of course important that the unions are not recommending rejection of the offer.

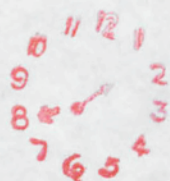
The next formal industrial negotiating meeting is with the power engineers on 20 April when the Council will make it clear that they cannot table any offer until the position on industrial staff is known. Although they believe that this will ultimately be accepted by John Lyons, they are expecting a difficult time. The annual delegate conference of the EPEA on April 5-7 showed that there is considerable strength of feeling about differentials with industrial staff on the one hand, and downward compression from top salaries on the other.

I am copying this letter to the Prime Minister, other Members of E, George Younger, John Sparrow and Sir Robert Armstrong.

*Yours ever
David*

DAVID MELLOR

15 APR 1982



CONFIDENTIAL

Noted
Yes electric



see JV (2)
Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG MS 8/4
01-233 3000

8 April 1982

The Rt. Hon. Nigel Lawson MP
Secretary of State for Energy

M

Dear Nigel

Thank you for your letters of 2 April on the pay negotiations with the gas and electricity manuals.

I hope that BGC will do all that they can to ensure that arbitration takes place on terms which are not unfavourable to them. It is important that their side of the case is heard. In this connection, they might care to look at the "issues" memorandum which we submitted to the Megaw Inquiry. (My officials can if necessary provide a copy.) We have of course also been giving a good deal of thought to arbitration evidence in the context of Civil Service pay, and we could no doubt give BGC the benefit of our experience if that would be appropriate. You might like to mention this to them.

As regards the electricity manuals, I note that the Electricity Council intend to make a final offer worth 7.1 per cent on earnings. We await developments at the 8 April meeting.

I am copying this letter to the Prime Minister, other members of E Committee, the Secretary of State for Scotland, John Sparrow and Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

18 APR 1962





Prime Minister

MMS 5/4

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211-6402

CONFIDENTIAL

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

7 April 1982

Dear Chancellor,

ESI INDUSTRIAL WAGE NEGOTIATIONS

Further to my letter of 11 March the Electricity Council have now decided on the final offer they will make to their industrial unions at the formal meeting on 8 April.

This will amount to an average increase on earnings of industrial staff (including shift earnings) of 7.1%, though the industry will not of course use this figure publicly. Taking planned staff reductions in 1982/3 into account the paybill effect is expected to be of the order of 6%. The weekly pay increases range from a minimum of £5 for a labourer (5.1%) to £10.93 at the top of the foreman's scale (6.6%). Increases in shift payments (which affect about 25% of industrial staff) are expected to increase these figures to 6.6% and 8.0% respectively.

The Council think it unlikely that the offer will be accepted on 8 April, and expect that it will be put to a ballot in time for the meeting of the National Joint Industrial Council on 6 May. In making it clear that this is a final offer they intend that the choice is put quite starkly to the relevant workers between acceptance and some form of industrial action. There are no present signs of militancy, though the Council believe that the mood could change unless the offer is seen to be comparable with the miners' settlement. They therefore propose to make the point strongly that, in weekly pay terms, the offer bears comparison with what the miners got.

I will write to you again following the meeting on 8 April.



I am copying this letter to the Prime Minister, other members of 'E', George Younger, John Sparrow and Sir Robert Armstrong.

Yours sincerely

J. P. Clark

NIGEL LAWSON
(Approved by the Secretary of State
and signed in his absence)



g JV Next Ind
 (2)
 Prime Minister

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

Ms 19/3

19 March 1982

The Rt. Hon. Nigel Lawson MP
 Secretary of State for Energy

ms

Dear Nigel

PAY OF GAS AND ELECTRICITY MANUALS

Thank you for your further letters of 8 and 15 March about gas manuals' pay, and of 11 March about the wage negotiations for electricity industrials. *from'd*

The effect of the restructuring offered by BGC at the meeting on 19 March seems to have been to add nearly another 1 per cent to the full year earnings effect of their offer, which now stands at almost 8 per cent. It is now reported in the press (where the offer has incidentally been quoted as 9 per cent) that the GMWU has rejected this.

I was glad to note from your letter that BGC have said they are maintaining a firm stand on their offer. I know you will be urging them strongly to do so. The offer is now comparable with the highest which have been made in the public trading sector in this pay round, and it would be a mistake to make further concessions simply because the unions profess not to be satisfied. It is not even clear that the workforce would be prepared to take serious action against what is a relatively generous offer. In this connection BGC will no doubt be doing all they usefully can to ensure that the size of the offer is fully appreciated by the workforce.

As regards the electricity industry, it is not too easy to judge the significance of the developments reported in your letter of 11 March without an estimate of the earnings effect of what is now being offered. If anything this effect could seem to be a bit less than the tentative figures mentioned in your letter of 1 March. It would be helpful if you could cover this aspect when there is next something further to report.

I am copying this letter to the Prime Minister, other members of 'E' Committee, the Secretary of State for Scotland, Robin Ibbs and Sir Robert Armstrong.

Geoffrey Howe

18 MAR 1982





Prime Minister (2)
MS 1073

MS 1073

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

[Handwritten signature]

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3HE

11 March 1982

[Handwritten signature]

ESI INDUSTRIAL WAGE NEGOTIATIONS

Further to my letter of 1 March, I have now learned that in the event the Electricity Council offered £4.90 at the minimum of the labourers' scale and £10.09 at the maximum of the craftsmens' scale at the informal meeting on 2 March. This offer was rejected by the unions.

At the formal meeting on 4 March the offer was marginally increased to £4.97 (5.1%) and £10.62 (6.4%) respectively. In addition a shift enhancement of £3.73 was offered (a 75p advance on the previous offer). These two elements would represent a total of 6% on the paybill for industrial grades.

This offer was also rejected by the unions, who pressed hard for 8% on scheduled salaries. The meeting was adjourned until 8 April. However there may be informal contacts before that date. I will of course continue to keep you informed of progress.

Copies of this letter go to the Prime Minister, other members of 'E', George Younger, Robin Ibbs and Sir Robert Armstrong.

[Handwritten signature]
[Handwritten signature]

NIGEL LAWSON



19 11 MAR 1969
12 1
9
8
7
6
5
4
3
2
1

CONFIDENTIAL

Prime Minister

(2)

SV
AD

MS 243

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3HE

March 1982

Dear Chancellor

ESI INDUSTRIAL WAGE NEGOTIATIONS

In my letter of 10 February I promised to let you know about an informal discussion to be held on 2 March between the Electricity Council and Union representatives of the electricity manual workers.

I have now learned that at that meeting the Council intend to increase their pay offer to about £5.35 at the minimum of the labourers' scale (previous offer £5), and about £10.70 for a craftsman on his maximum (previous offer £8). The Council will also make a further offer on shift pay - they are prepared to increase unsocial hours payments by up to 15% in order to bring the shift premium level up to comparable levels in other industries.

The effect of the offer will be to increase average earnings by between 5½% to 7%, and increase the salary bill by about 6½%. I understand that the electricity and gas industries are in close touch on the conduct of their negotiations.

It is not known how the offer will be received but the union side will probably press for a further increase. The offer will not be made public and the union negotiators will refer it back to their full meeting on 4 March. I will continue to keep you informed of progress.

Copies of this letter go to the Prime Minister, other members of 'E', George Younger, Robin Ibbs, and Sir Robert Armstrong.

Yours sincerely

David Lewis

NIGEL LAWSON

(approved by the Secretary of State
and signed in his absence)

12
MAR 2 1982



CONFIDENTIAL

Not incl *QC* *JV*
AD

Prime Minister (2)

SECRETARY OF STATE FOR THE
TREASURY
11, WHITEHALL, LONDON SW1A 2JH

MUS 10/2

01 211 6402

Rt Hon Geoffrey Howe QC MP.
Chancellor of the Exchequer
H M Treasury
Parliament Street
London
SW1

10 February 1982

Dear Chancellor

ESI INDUSTRIAL WAGE NEGOTIATIONS

The Electricity Council met the Electricity Industry Industrial Negotiating Team under Frank Chapple on 4 February, and tabled the offer described in my letter to you of 29 January, but without the harmonization of holiday entitlement.

This was received calmly by the unions, who said that it was not enough but formed a starting point for discussion. It was left that there would be an informal discussion between the Council and the Union negotiators on 2 March, shortly before their next formal meeting on 4 March. The Council have not yet decided on any improved offer to be tabled at those further meetings. I will keep you informed.

Although the unions have described the offer publicly as one of 7%, the Council have not in fact mentioned any percentage figure and have told us in strict confidence that the paybill effect would be 5.6% and the effect on average earnings 5-7% depending on grade, overtime and shift pattern. They have incidentally kept in close touch with the NCB and are well aware that the estimated effect of the miners' settlement on earnings was well below the 9.3% on basic rates which has been generally publicised.

Copies of this letter go to the Prime Minister, other members of 'E', George Younger, Robin Ibbs, and Sir Robert Armstrong.

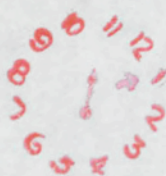
Yours sincerely

David Lemley

NIGEL LAWSON

(approved by the Secretary of State
and signed in his absence)

10 FEB 1982



Noted
Gas & Elec

Prime Minister (2) ✓ AD
IV

Mus 2/2

01 211 6402

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

29 January 1982

Stan Hoff

MT

ESI INDUSTRIAL WAGE NEGOTIATIONS

TPM Your minute of 25 January to the Prime Minister asked me for a report on the current negotiations in the gas and electricity supply industries. My letter of 28 January dealt with the gas manuals' pay. This letter reports on the position in the electricity supply industry.

The Electricity Council will make a formal offer to their manual workers on 2 February. Their basic offer will be a cash increase on schedule salaries ranging from £5 for a labourer to £8 for a craftsman at the top of the salary scale. The range of increase will be between 5-6½% on basic rates and will represent something over 5% on the industrial salary bill. Further enhancement of shift payments and a harmonization of holiday entitlement between manual, clerical and junior engineering staff will also be offered.

The Electricity Council advise that the effect on average earnings would be between 5-7% depending on grade, overtime and shift pattern and that the total package would represent something under 7% on the salary bill. They will not, though, be talking about percentages either in the negotiations or publicly thereafter.

The Council expect that the offer will be formally rejected, and that further informal meetings will take place in the course of next month. They believe that they will be able to make a small advance on scheduled salaries in the course of these discussions.

I will keep you informed of developments.

Copies of this letter go to the Prime Minister, other members of 'E', George Younger, Robin Ibbs and Sir Robert Armstrong.

John *EW*
Nigel

NIGEL LAWSON