c/c JV

Prime Minister (2)

MCS 11/10

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 SW1

11 October 1982

Dear Geoffrey

I wrote to you on 14 September setting out details of the British Gas Corporation's offer to the gas staffs and senior officers (GSSO) when they met on 9 September.

At a further meeting with the GSSO on 30 September the Corporation refused to table a revised offer. The unions - whose aspirations have been gradually whittled down during the negotiations - asked the Corporation to accept increases for senior staff ranging from 6.9% to 7.8% (compared with BGC's 6.5% to 7.4% offer). The Corporation refused. The unions then formally gave notice of their intention to refer the matter to conciliation and/or arbitration.

BGC suspect that the unions do not want to go to arbitration and are hoping to reach agreement during conciliation, which BGC would also prefer. Accordingly, they will be prepared marginally to increase their offer to secure agreement during conciliation. The cost of such an increase would be small.

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

Yours ever
Nigel

NIGEL LAWSON

Wat Incl

Gas & Elec

CONFIDENTIAL

Nat Hd cc JV

Prime Minister (2)

MCS 14/9

01-211 6402

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

14 September 1982

Dear Chancellor,

I wrote to you on 24 June setting out details of the British Gas Corporation's offer to the Gas Staffs and Senior Officers (GSSO) when they met on 17 June.

At their further meeting with the GSSO on 9 September the Corporation tabled a revised offer. The basic rate increase offered to junior staff remains at 5.5% but the offer at the top end of the range (for senior grades) has been increased from 7.0% to 7.4%. This would increase average earnings by just over 7% for a full year and increase the Corporation's wage bill by 7.2% overall.

The Trade Union side claimed that their members would probably reject the offer. However they did not specifically say that they would recommend rejection. They are now consulting at regional level and a formal response is not expected for at least a week.

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

Yours sincerely

J.S. Clough

pp NIGEL LAWSON

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

nat Ind, Gas & Elect, P+6

cc JV
Nalhd

(2)

Prime Minister

MCS 29/6

01 211 6402

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

28 June 1982

Dear Chancellor,

GAS INDUSTRY PAY

At a meeting with the unions representing the Higher Management on 24 June British Gas made an increased pay offer of 7% on salaries (equivalent to about the same increase on average earnings). This matches the 7% salary increase currently on offer to the most senior of the Gas Staffs and Senior Officers, reported in my letter of 24 June.

The unions said that the offer was unacceptable and are considering their formal response. No arrangements have been made for a further meeting.

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

Yours sincerely

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

J.P. Cole

cc JV

Prime Minister (2)

Mrs 25/6

01 211 6402

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

24 June 1982

Dear Chancellor,

MT

Thank you for your letter of 14 June about the arbitration award to manual workers in the gas industry.

The consolidation of bonuses comes into operation only on 1 January 1983 (almost at the end of the settlement year) and takes the form of setting a 7 per cent minimum level for bonuses. Since the current average bonus is about 30 per cent, this is unlikely to be very expensive and the Corporation's latest estimate is lower than the tentative figure of 0.4 per cent in my letter of 2 February - perhaps close to zero.

There are two reasons for the similarity between the earnings effect of the award and the basic rate increases:

a. only a few technicians receive the highest increase of 8 per cent on basic rates, so that the weighted average increase in basic rates is closer to 7.5 per cent than 8 per cent;

b. other components of earnings are unchanged or increase by less than 7.5 per cent or benefit only a small proportion of the workforce.

When the Corporation met the Gas Staffs and Senior Officers (GSSO) on 17 June, they offered increases ranging from 5.5 per cent for the most junior staff, up to 7.7 per cent This would increase average earnings by just over 6 per cent. The unions rejected this offer (NALGO had been in conference that week and the Corporation believe that they sounded their members), but there were no threats of industrial action. The Corporation expect the unions to ask for a further meeting in the next week or so. They would consider the use of unilateral arbitration only as a tactical move, to achieve a lower settlement than they could negotiate and to avoid industrial action.

As you say in your letter, when we discussed the general question of unilateral arbitration at E Committee last November, it was decided that it would be untimely to raise the matter with the Corporation. Given the continuing sensitivity of their oil asset disposals and our commitment to deal with their monopoly of appliance retailing, I do not think the position has changed.

I am copying this letter to the recipients of yours.

Yours sincerely,

Janet Cuddrick

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

Nat Ind
Saw PM

CONFIDENTIAL

cc JV
Noted
Prime Minister (2)

MCS 14/6

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

14 June 1982

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

MT

Dear Secretary of State,

GAS INDUSTRY PAY

Thank you for your letter of 8 June about the arbitration award to the gas industry manuals.

Although the Corporation's last offer before arbitration was on the high side, it is good that the arbitrator has not added materially to it. Given that the award, unlike the 10 March offer, includes consolidation of bonuses, it is however odd that the earnings effect of the award is still estimated at no more than 7.9 per cent. It is also a little surprising at first sight that the earnings effect of the award is not significantly higher than the effect on basic rates, in view of the number of other features besides the basic increase which the award contains. Perhaps officials could check these points.

More important is the question of the future arbitration arrangements in the gas industry. When we discussed this in E Committee last November, we felt that we should not ask British Gas to seek to change the arbitration arrangements, in view of the number of other issues which you were discussing with them. But the unions' reference to arbitration this year has shown that the arrangements can certainly not be regarded as having fallen into disuse, although they have only operated occasionally in the past, and I see that the Corporation are thinking in terms of arbitration for the Gas Staffs and Senior Officers (where you reported a 5 per cent offer in your letter of 25 May).

On this occasion the arbitration award was not unfavourable to British Gas; but they cannot count on being so fortunate in future. You may wish to raise with them the question of terminating the unilateral access to binding arbitration which is a feature of the present arrangements. This may actually be less difficult for them in the wake of an award that has favoured their case than it might otherwise be.

/Finally, I hope

Finally, I hope that we can reinforce the Corporation in their intention to take a firm line in negotiations with the Gas Staffs and Senior Officers (and I hope also with the Higher Management grades). In particular I hope that there will be no assumption that these staff must ultimately get as much as the manuals. The present offers of 5-6 per cent seem to me to be in about the right area.

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

Yours sincerely

Geoffrey Howe

GEOFFREY HOWE

[Approved by the Chancellor and signed in his absence.]

Nat Ind

cc

Prime Minister

(2)

01-211 6402

MCS 8/6

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

8 June 1982

Dear Chancellor

MT

PAY OF GAS MANUALS

In my letter of 2 April I reported that BGC's gas manual unions had rejected BGC's offer and decided to put the issue to arbitration, which either side can do unilaterally.

The arbitration award was made on 4 June and is binding on both sides. The award is as follows:-

(a) an increase in basic rates ranging from 7.5% for labourers to 8% for technicians with full flow-through to bonus;

(b) an increase in the General Obligations Payment of 50 pence a week (this is a payment in respect of flexible working procedures which reckons for all pay purposes);

(c) an increase of £2.50 in stagger payments (for working on a scheduled basis outside normal hours);

(d) an increase in the holiday bonus supplement from 30% to 35%;

(e) a small relaxation in the rules governing local holiday entitlements;

(f) some reform of the earnings structure (along the lines outlined in my letter of 2 April). This involves a 7% consolidation of bonuses, a £2.50 incentive bonus for those with no bonus, and some bonus smoothing. But it is not to be implemented until 1 January next year, and will not be applicable to waiting time; and

(g) a recommendation that the earnings structure package should be reviewed 12 months after the structure described above has been implemented (ie 1 January 1984). BGC do not propose to accept this recommendation but merely to note it.

This award is essentially the same as BGC offered the unions on 10 March, with the addition of some consolidation of bonuses. The overall cost to BGC's pay bill will be 7.9% in a full year and about 7.6% this year.

On the Higher Management pay negotiations BGC met the unions on 4 June. They offered 6% on all grades and rejected both an additional grade in the pay structure and an earlier settlement date. The unions said that this was unacceptable and another meeting will be arranged towards the end of the month.

For this meeting and for the Gas Staffs and Senior Officers' meeting on 17 June, British Gas are concerned that the unions may decide to go to arbitration again. As a result BGC are inclined to take a robust line and refuse to negotiate to the limit for fear of then being taken to arbitration. They will also consider using arbitration themselves if the unions start moves towards industrial action. They will, however, have a clearer idea of their tactics after the NALGO annual conference, which starts next week. I will, of course, keep you and colleagues in close touch with developments.

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

Yours sincerely

Janet Chadwick

pp NIGEL LAWSON

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

Nat Ind
cc JV

(2)

Prime Minister

Mts 25/5

01-211 6402

CONFIDENTIAL

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

25 May 1982

Dear Chancellor,

BRITISH GAS - PAY NEGOTIATIONS

In my letter of 19 May I told you that British Gas were due to open pay negotiations on 20 May with their Gas Staffs and Senior Officers (GSSO). BGC offered salary increases ranging from 4% for the most junior staff to a plateau of 6% starting about half way up the grade structure. The effect on average earnings would be an increase of 5% - 5.1%.

The Unions made it clear that they were not happy with the offer and took it away to consider it in detail. The negotiations will be resumed at a special meeting next month: the date has not yet been agreed but BGC intend to hold it before the NALGO Conference which is due to start on 14 June.

BGC are due to open negotiations with their Higher Management on 3 June (settlement date is 1 June). The Corporation have not yet decided on their offer but they have told my officials that it will not be out of line with their opening offer to the GSSO.

I will of course keep you and colleagues in touch with developments on both negotiations.

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

Yours sincerely

Janet Cuddrick

pp NIGEL LAWSON

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

CONFIDENTIAL

Prime Minister (2) Nat Ind.
MCS 19/5
CC. JV

01 211 6402

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

MT

19 May 1982

Dear Chancellor,

BRITISH GAS - PAY NEGOTIATIONS

The British Gas Corporation are due to open negotiations with their Gas Staffs and Senior Officers (GSSO) tomorrow on their annual pay settlement (settlement date 1 June).

The GSSO, who are represented mainly by NALGO, have submitted a claim for:

(a) a 14% increase in salaries aimed at restoring their June 1981 living standards and providing comparability with wage levels throughout the economy;

(b) a reduction in the working week from 37 to 35 hours;

(c) an improvement in annual leave to 30 days for all grades;

and (d) some restructuring of salary scales.

They also wish to discuss a common wage settlement date throughout the industry.

The BGC management will not decide their final negotiating tactics until tomorrow morning at a meeting of regional representatives, but they have told my officials that their offer will centre on an increase in salaries (possibly weighted at the more senior levels), with the possible addition of an odd day's leave for the more junior staff. They have said that the offer is unlikely to exceed 6% on the pay bill(equivalent to virtually the same percentage increase in earnings given the structure of the package).

The GSSO will be keeping a close watch on the arbitration award for the Gas Manuals, and I now understand that the Chairman of the arbitration tribunal expects to report within 3 weeks of the hearing (which was held on 12 May).

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

Yours sincerely,

pp NIGEL LAWSON

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

Nat Fnd
Gas & Electric

CONFIDENTIAL

cc JV (2)

Prime Minister

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

8 April 1982

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

MT

Dear Nigel

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

GEOFFREY HOWE

CONFIDENTIAL

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

01 211 6402

Prime Minister

MCS 2/4

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

2 April 1982

Dear Chancellor.

PAY OF GAS MANUALS

In my letter of 15 March I reported BGC's revised pay offer to their manual workers. This provided for reduced increases on basic rates (between 7.5% and 8%) but with full flow-through of these increases to bonus payments: the corollary was the withdrawal of the previous package covering the restructure of bonus payments.

There was a further meeting between the two sides on 30 March at which the unions confirmed their membership's rejection of that offer because it made no progress towards reform of the wages structure, in particular some commitment towards consolidation of bonus payments into basic pay. (The bonus restructuring package previously offered by BGC had provided inter alia for a guaranteed minimum bonus payment but had not provided for consolidation). The unions said that if BGC would give a commitment on future consolidation of bonus they would be prepared to live without flow-through of basic rate increases into bonus. Alternatively they said they might agree to forgo the commitment at this stage to future consolidation and accept the package offered on 9 February (which did not include flow-through) subject to a further enhancement of basic rates.

BGC maintained their stance against consolidation but in an effort to meet the unions' alternative solution they re-tabled their 9 February offer (which I reported on 12 February) with the addition of a further 30 pence a week on the General Obligations Payment (a payment in respect of flexible working procedures which reckons for all pay purposes). Compared with the 10 March offer this would have meant slightly less for bonus workers but more for non-bonus workers; the overall increase in average earnings remaining at 7.6% in the settlement year (7.9% in a full year).

The unions rejected this offer and said that since there was such a gap between the two sides they wished to seek arbitration. The management did not accept that arbitration was the best way forward on such complex terms and conditions of service arising out of the annual pay negotiations. However, BGC cannot prevent the Trade Union Side from making a unilateral request for arbitration since this is provided for in the constitution of the National Joint Industrial Council. Any award arising out of such arbitration would be binding on both sides.

The present position, therefore, is that the unions intend to seek arbitration, probably using the services of ACAS. BGC have told my officials that the unions have said they will consult them on the terms of reference for the arbitration: the management's involvement in the request for arbitration is at present uncertain, but I understand that they will expect to give evidence to the tribunal in due course.

We have as yet no indication about the timing of further developments but I will, of course, keep you and colleagues in touch.

I am copying this to the Prime Minister, the other members of 'E' Committee, 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)

Cost exec pd
VK 6

cc FV

(2)

Prime Minister

MCS 30/3

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

01-211 6402

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

30 March 1982

Dear Chancellor,

PAY OF GAS MANUALS

Thank you for your letter of the 19 March. This letter reports the latest position.

While it is true that BGC's latest offer will add a further increase of nearly 1% on average earnings, BGC have made it clear to the unions that the offer is conditional on the withdrawal of the management's 1981 commitment to discuss the restructuring of earnings. This commitment could have resulted in some bonus payments being included in basic pay and its withdrawal must therefore be weighed on the credit side of the package.

The BGC have told my officials that they are careful to avoid references to comparisons with other public sector settlements (while privately, of course, bearing them very much in mind), preferring to deal with their own negotiation on its merits. However, they cannot prevent the unions from making their own comparisons and traditionally the gas manuals' unions look principally to the miners, electricity manuals and water manuals. The gas manuals will no doubt consider themselves entitled to a settlement at the top of this range although, as I have said, the management will reject this kind of argument.

BGC have assured my officials that they have spelled out very clearly to their workforce the benefits of the latest pay offer. The Corporation is fully aware of the wider implications of high settlements in any part of the public sector and do not intend to put any more cash on the table. There is a real possibility that this tough line will result in some industrial action. A further meeting between the two sides has been arranged for today and I will, of course, advise you of developments.

I am copying this letter to the recipients of yours.

Yours sincerely,
N. L.

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

CONFIDENTIAL

cc JV Nat Ind (2)

Prime Minister

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

MCS 19/3

19 March 1982

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

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.

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.

Yours

GEOFFREY HOWE

Prime Minister (2)

To see
MCS 18/3

MR. SCHOLAR

cc: Mr. Hoskyns

GAS MANUALS PAY

The Prime Minister will have seen reports this morning that manual workers in the gas industry (represented by the GMWU) are threatening industrial action.

These reports emanated from yesterday's Special Delegate Conference, which endorsed the position taken by the GMWU in the last round of negotiations with BGC. Mr. Lawson reported on those on 15 March: BGC have offered the equivalent of a 7.9% increase in average earnings, but are declining to include in the package consolidation of bonus payments worth some £2.50 a week. I have discussed the latest position with the Department of Energy.

Although it has for several weeks seemed as if BGC were behaving rather like the National Water Council in allowing their offer to be increased by small amounts in the course of successive negotiations, it does seem as if they have chosen a sensible point at which to stand and fight. The bonus issue, which is complicated, is at least as much an issue of productivity as of pay: BGC are saying that they will not allow bonus consolidation without a measurable productivity improvement to justify it. The GMWU are particularly strongly opposed to that, because the electricity supply industry conceded the same point last year, and GMWU negotiates for both. But BGC believe that the gas manuals themselves are less concerned: as long as they get the pay increase, they may not be worrying so much about bonus consolidation. BGC believe that the threatening noises being made by GMWU are for negotiating purposes rather than for real, and there has been no past record of readiness to take industrial action in the gas supply industry. Furthermore, a strike by gas manuals, although likely to lead to a progressive deterioration of the gas supply system, would not have a dramatic impact. Supplies would be more likely to be interrupted, and safety affected, in the event of industrial action by white collar workers, who have a long tradition of moderation.

/ There are

There are likely to be further negotiations between BGC and the GMWU in the next few days, and there seems to be at present no cause for alarm.

18 March 1982

f/c SV

Prime Minister (2)

MCS 17/3

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

CONFIDENTIAL

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

15 March 1982

Dear Chancellor,

GAS MANUALS' PAY

British Gas had a further meeting with the gas manuals' unions on 10 March but were unable to reach a settlement.

In my letter of 8 March I reported that the unions had rejected BGC's previous offer because the proposed increase in basic rates did not flow through to bonus payments and because the management had given no longer-term commitment on consolidation of bonus payments into basic pay. The management told the unions that these two objectives were incompatible and that if they wanted flow-through of basic rate increases to bonus payments, the package for restructuring bonus payments which they had already tabled would have to be withdrawn.

At the meeting on 10 March BGC therefore restructured their offer, reducing the proposed increase on basic rates but allowing flow through to bonus payments. Their latest offer includes increases in basic rates from 7.5% for labourers to 8% for technicians, which would flow through in full to bonus payments. As a corollary BGC withdrew the offer to restructure bonus payments. Still included in the offer are increases in the General Obligations Payment (up to 50 pence per week), holiday pay (up to 135% of basic rates), staggered-working payment (£2.50 per week) and local holidays. All of these were offered in earlier rounds.

The revised package would increase average earnings by about 7.6% in the settlement year (about 7.9% in a full year).

The unions said that they would recommend acceptance of this offer if BGC reinstated the offer of a weekly supplement of £2.50 per week for workers not participating in bonus schemes. The management replied that this was not possible as the supplement for non-bonus workers had been part of a total package for restructuring bonus payments. This package was incompatible with the revised offer allowing flow through of basic rate increases to bonus payments. The union negotiators have therefore indicated that they cannot recommend acceptance of the offer and they are now consulting their membership on that basis. BGC do not know what form this consultation will take (it might be done through delegate conferences) or when the unions will report back to them.

For their part, BGC have told my officials that they have taken a firm stand on this offer and have made it clear that they see little room for movement.

I am copying this to the Prime Minister and to Willie Whitelaw, Michael Heseltine, Patrick Jenkin, John Biffen, David Howell and Norman Tebbit as well as to Sir Robert Armstrong and Robin Ibbs.

Yours sincerely

J.P. Cleghorn

NIGEL LAWSON

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

CONFIDENTIAL

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

Prime Minister

MCS 8/3

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

8 March 1982

Dear Geoffrey

GAS MANUALS' PAY

I wrote to you on 12 February giving details of the pay offer made by the British Gas Corporation to their manual workers at the last negotiating meeting. This included a further improvement in basic rates and an increase in the General Obligations Payment (an allowance in respect of flexible working procedures), producing an estimated increase in average earnings of 6.8% in the settlement year.

The unions have now advised BGC that the offer is unacceptable on two grounds:-

1) the increase in basic rates does not flow through into bonus payments; and

2) they have been given no commitment on future consolidation of bonus payments into basic pay.

The negotiations will be resumed on 10 March, and the unions will clearly be looking for some concession on bonus payments, which has been their main objective from the start.

The management have told my officials that they have not yet decided on their tactics at next week's meeting and that they will not do so until they meet regional representatives on the morning of 10th. They have previously, as you know, emphasised the complexity of the negotiations. There are several options including the restructuring of the package so as to reduce the offer on basic rates in order to make a concession on bonus payments. BGC have told us, however, that they do not at this stage envisage offering significantly more on overall earnings. I will, of course, let you and colleagues know the outcome of this next meeting.

CONFIDENTIAL

I am copying this to the Prime Minister and to Willie Whitelaw, Michael Heseltine, Patrick Jenkin, John Biffen, David Howell and Norman Tebbitt as well as to Sir Robert Armstrong and Robin Ibbs.

Yours
Nigel

NIGEL LAWSON