

PO - CH/NL/0479  
PART A



Part . A .

**SECRET**

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Begins : 20/1/89 .  
Ends : 19/7/89 .

MANAGEMENT - IN - CONFIDENCE .

THIS FOLDER HAS BEEN  
REGISTERED ON THE  
REGISTRY SYSTEM

PO CH | NL | 0479 .  
Pt. A .

Chancellor's (Lawson) Papers :  
The Government's Policy on Payment  
of workers .

DD's : 25 Years

*Phelan*

21/2/96

PO CH | NL | 0479 .  
Pt. A .



MANAGEMENT IN CONFIDENCE

FROM: C J A CHIVERS  
DATE: 20 JANUARY 1989

- 1. MR KELLY
- 2. PAYMASTER GENERAL

- cc
- Chancellor
  - Chief Secretary
  - Sir Peter Middleton
  - Mr Anson
  - Dame Anne Mueller
  - Mr Monck
  - Mrs Case
  - Mr Bent
  - Ms Seammen
  - Mr Farthing
  - Mr Perfect
  - Mrs Harrop
  - Mr A S Jordan

*Is X really for...  
WAT*

*Ch/ Given X below, will even  
these whopping increases  
entice the right people for  
these part-time jobs? The  
"interim" increase looks quite  
adequate. OIS*

**SALARIES OF MEMBERS OF THE BBC AND IBA**

Summary

The Home Office would like to increase by 50% or so the pay of BBC and IBA Board Members. We do not think increases on this scale are justified. We would like to treat the BBC and IBA separately. But if that is unacceptable we propose an interim pay increase of around 25%, followed by a further review when the IBA is abolished and the ITC established in 1991.

1. The Home Office have approached us again at official level seeking an increase in the salaries of the Chairmen and Board Members of the BBC and the IBA.

2. You may remember (from Mr Jordan's minute of 26 August 1988) that the Home Office bid for these increases last year. You agreed, however, that we should kick the proposal into touch pending the publication of the White Paper on broadcasting. We offered to consider the case again once the future of both bodies was clearer.

MANAGEMENT IN CONFIDENCE



### Status of the two bodies

3. The BBC and IBA are both public corporations. The Treasury is required to approve the salaries paid to the members of their Boards, including the Chairmen and Deputy Chairmen. The Home Secretary has to notify Parliament of any changes in their remuneration.

### The case for salary increases

X  
4. We accepted last year that there was a case for some increases. The current rates of pay (£46,700 for the Chairmen, £32,000 for the Deputy Chairmen and £23,950 for the Members) look on the low side. The posts are not the sinecures they used to be. At the BBC, following the reforms of the last three years, the Board Members are required to be much more active and to take responsibility for staffing, finance and other management matters. Although the appointments are still seen as prestigious, the Home Office say that they have some difficulty in getting the people the Home Secretary wants at current rates of pay. There is a preponderance of retired people on both Boards. It is one of the Home Secretary's objectives to attract some people in mid-career who can offer up-to-date business skills and experience. X  
The Home Office admit that people do not complain about the money when they decline appointments: they always plead scarcity of time. But the Home Secretary believes that if the money was better he would stand a better chance of recruiting more economically active people.

### Separating the BBC from the IBA

5. In discussing their proposal with the Home Office we tried to persuade them to look separately at the BBC and the IBA. The BBC is not greatly affected by the White Paper, and the case which the Home Office made out last year still stands. But the IBA is now to be wound up over the next two years. We put it to the Home Office that it would be difficult in these circumstances to justify large pay increases to the latter.



6. The Home Office say, however, that:

1. A new Chairman and Deputy Chairman of the IBA have now been appointed, who are to see the body through to the establishment of the proposed Independent Television Commission (ITC), which they will also head. These pay increases would therefore benefit the new management, not the old, discredited Board.
2. If we are worried about prejudicing the salaries of the ITC, they say that the responsibilities of the ITC will be at least as heavy as, though different from, those of the IBA; and in any case ITC salaries can be determined on their merits nearer the time.
3. It would be completely unacceptable to the Home Secretary to allow the pay of the IBA to fall behind that of the BBC: it would be seen as devaluing the commercial side of broadcasting.

The Home Office are very firm about this last point, and it seems as though we shall have to treat the two bodies alike. That has implications for how much we can offer.

The Home Office proposal

7. The current Home Office proposals are as follows:

	Time input	Current salaries (annual full-time equivalent rates)	Proposal	Percentage increase
Chairmen	4 days/week	£46,700	£68,500	46.7%
Deputy Chairmen	1½ days/week	£32,015	£48,000	49.9%
Members	1 day/week	£23,950	£39,000	62.8%



8. These proposals would mean that the Chairmen should be paid at the Civil Service Grade 1 rate, the Deputy Chairmen at Grade 2, and the Members at Grade 3. So far as the BBC is concerned, these rates of pay for Chairman and Deputy Chairman would not be grossly excessive in relation to the importance of the organisation, though the proposed rate for Members looks too high. There are currently eight Chairmen of non-commercial boards who are paid at Grade 1 level, and it does not seem inappropriate that the BBC should be added to that number. But we have more serious reservations about the IBA, in view of its imminent demise.

#### Treasury proposal

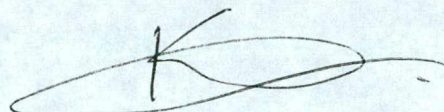
9. If the Home Secretary is not prepared to distinguish between the two bodies it is tempting to suggest that in that case the whole matter should be shelved until the ITC is established. But we do not think that that would be a tenable position.

10. We suggest that instead we should offer an interim increase for both bodies, to be followed by a further salary review when the IBA is wound up and the ITC established. The size of the interim increase would be for negotiation with the Home Office: we would start lower, but we might aim for:

	<u>Currently</u>	<u>Proposed</u>	<u>% increase</u>
Chairmen	£46,700	£60,000	28%
Deputy Chairmen	£32,015	£40,000	25%
Members	£23,950	£30,000	25%

These would be rates to take effect from 1 April 1989; they would be adjusted by reference to TSRB in April 1990 and then looked at afresh in 1991.

11. From what his officials tell us the Home Secretary is likely to be dissatisfied, and he may want to take the matter up with you himself. But we think that that is as far as we should go at this stage. We should be glad to have your approval for an offer to the Home Office on these lines.



KIT CHIVERS



MANAGEMENT IN CONFIDENCE



*pwp*

FROM: D SPARKES  
DATE: 23 JANUARY 1989

PS/PAYMASTER GENERAL

cc Chief Secretary  
Sir P Middleton  
Mr Anson  
Dame Anne Mueller  
Mr Monck  
Mr Chivers  
Mr Kelly  
Mrs Case  
Mr Bent  
Ms Seammen  
Mr Farthing  
Mr Perfect  
Mrs Harrop  
Mr A S Jordan

**SALARIES OF MEMBERS OF THE BBC AND IBA**

The Chancellor has seen a copy of Mr Chivers' minute to the Paymaster General of 20 January concerning the Home Office proposal to increase by 50% the pay of BBC and IBA Board Members. He was surprised to learn that the Home Office have some difficulty in getting the Board Members they want at current rates of pay and wonders whether this claim would stand up to closer scrutiny.

*D.S.*

DUNCAN SPARKES



MANAGEMENT IN CONFIDENCE



FROM: MALCOLM BUCKLER

DATE: 23 January 1989

MR CHIVERS

cc PS/Chancellor  
PS/Chief Secretary  
Sir Peter Middleton  
Mr Anson  
Dame Anne Mueller  
Mr Monck  
Mr C W Kelly  
Mrs Case  
Mr Bent  
Ms Seammen  
Mr Farthing  
Mr Perfect  
Mrs Harrop  
Mr A S Jordan

*pm*

**SALARIES OF MEMBERS OF THE BBC AND IBA**

The Paymaster General was grateful for your submission of 20 January. He is content that an offer of an interim increase for both bodies, to be followed by a further salary review (when the IBA is wound up and the ITC established), should be made. If as you suggest the Home Secretary is likely to tackle the Paymaster independently, the Paymaster should welcome some oral briefing on the IBA issue.

**MALCOLM BUCKLER**  
Private Secretary







MANAGEMENT IN CONFIDENCE



FROM: D I SPARKES  
DATE: 27 January 1989

PS/PAYMASTER GENERAL

cc PS/Chief Secretary  
Sir P Middleton  
Mr Anson  
Dame A Mueller  
Mr Monck  
Mr Kelly  
Mrs Case  
Mr Chivers  
Ms Seammen  
Mr Farthing  
Mr A S Jordan

*pwp*

**SALARIES OF MEMBERS OF THE BBC AND IBA**

The Chancellor has seen a copy of Mr Chivers' minute of 23 January to the Paymaster General responding to the point the Chancellor raised about the difficulty experienced by the Home Office in recruiting Board Members. He has commented that he is not at all surprised that active businessmen and women cannot be found at current rates. If an active businessman is any good he is most unlikely to be able to spare the time to do a proper job at the BBC/IBA; the salary is immaterial. The Chancellor believes that the Home Office are looking for the wrong people and going about it in the wrong way.

*DM.*

DUNCAN SPARKES





Ch ER 14/2

# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-270 5238  
Facsimile: 270 5244  
Telex: 9413704

10 February 1989

## FLEXIBLE LONG TERM PAY AGREEMENT WITH THE NATIONAL UNION OF CIVIL AND PUBLIC SERVANTS (NUCPS)

The Treasury has today reached a provisional agreement on flexible pay with the National Union of Civil and Public Servants covering 128,000 staff in executive and office support grades.

This follows a similar agreement with the Civil and Public Services Association earlier this week. Both are being recommended by the unions concerned to their members. If they are endorsed nearly all the ½ million non-industrial civil servants will be covered by pay agreements which provide for performance, skills, geographical and other flexibilities related to recruitment and retention factors.

The paybill cost in 1989-90 is 6 per cent (with a further 1 per cent for additional payments in London).

The new arrangements include

- 4 per cent for all staff from 1 April;
- for executive staff; a further 4 per cent on assimilation to a pay spine on 1 October; and additional payments in London from 1 June 1989;
- for support grades 2 per cent on 1 January 1990;



- settled longer term pay determination arrangements. The first settlement under these new arrangements will be in April 1990 when negotiations will be constrained within the middle 50 per cent of private sector pay settlements and informed by a survey of pay levels.

Press Office

14/89

HM Treasury

Parliament Street

London SW1P 3AG

Notes for Editors

1. The cost of the increases will be met from within published running costs limits.
2. This follows a similar offer covering 195,000 staff in clerical and secretarial grades made to CPSA on 8 February which that union is also recommending to its membership. The paybill cost of both offers is the same - 7 per cent in 1989-90 including additional payments in London. Within this cost, there is in both agreements a range of increases with the largest amounts going to meet particular recruitment and retention difficulties.
3. Flexible pay agreements are already in place for the 54,000 staff represented by the Institution of Professional Civil Servants, 59,000 staff represented by the Inland Revenue Staff Federation and 23,000 staff in grades 5-7.



FROM: MS D J SEAMMEN

DATE: 10 February 1989

PS/PAYMASTER GENERAL

cc Chancellor <sup>2nd</sup>  
Sir P Middleton  
Dame Anne Mueller  
Mr Kelly  
Mr Luce  
Mr Gieve  
Mr Hansford  
Mr Flitton  
Mr Graham

PAY PRESS CONFERENCE

I attach an opening statement as requested.

MS D J SEAMMEN

*Handwritten notes in red ink:*  
Bristol ✓  
Shoob Jan 16  
1972 Stamp - or  
W. M. D. P. L. ✓  
New Seams ✓  
Hostels ✓



OPENING STATEMENT

[Welcome etc].

Occasion for this conference is provisional agreements with two largest civil service unions on flexible pay. Together NUCPS and CPSA agreements cover over 300,000 executive, clerical and secretarial staff. Taken with earlier agreements covering professional and technical grades, tax people in Inland Revenue, and senior management grades, they mean that nearly all the half a million non-industrial civil servants will be covered by flexible pay agreements.

Want to make 3 main points.

First, essence of these agreements is flexibility - the ability to vary pay by location, skills etc, according to recruitment and retention needs.

Second, agreements incorporate principle of varying pay according to performance, so that civil servants - like a growing number of people in the private sector - can see their pay related to how well they do their job.

Third, they provide settled long term pay arrangements - no return to comparability, but negotiations on the overall paybill within the middle 50 per cent of private sector settlements - thus ensuring sensible negotiations and avoiding unrealistic expectations.

Do not underestimate how far unions have had to move on all these three elements. Tribute to their negotiators and to patient and constructive attitude on both sides that have reached agreement.

One more point. Agreements facilitate pay flexibilities within coherent national pay structure. We expect that Next Steps agencies, as well as departments, will be able to develop their pay arrangements within the extensive flexibilities provided by the agreements. The agreements are very much in keeping with the



overall philosophy of which Next Steps is a significant part - the ability of the civil service to respond to the challenges of the 1990s and beyond.

Lastly - as a Treasury Minister - one word about the costs. Including the special payments targeted on London, both agreements will cost about 7 per cent on the respective paybills. The range of increases for different groups, within this cost, can be quite wide and some have been quoted misleadingly; variations of this sort are in the nature of flexible pay policies which respond differentially to problems of recruitment and retention, and minimise unnecessarily expensive across the board increases. What we have done is to target increases where they are most needed, within the overall cost of 7 per cent.

We are pleased with these agreements, and are glad that the union executives have endorsed them. We hope their membership will do so too.



RESTRICTED



FROM: J M G TAYLOR

DATE: 13 February 1989

PS/PAYMASTER GENERAL

*prop*  
cc Sir P Middleton  
Dame A Mueller  
Mr Kelly  
Mr Luce  
Mr Gieve  
Ms Seammen  
Mr Hansford  
Mr Flitton  
Mr Graham

**PAY PRESS CONFERENCE**

The Chancellor has seen Ms Seammen's draft opening statement, enclosed with her minute of 10 February.

2. He has commented that it is essential to shoot down the 19% story - on which the Daily Telegraph has now based a hostile leader.

*Jf*

J M G TAYLOR



PERSONAL AND CONFIDENTIAL

FROM: A G TYRIE  
DATE: 26 April 1989

CHIEF SECRETARY

cc: Chancellor  
Paymaster General  
Mrs Chaplin  
Mr Call

*I have had  
a word with  
D. Hunt, who takes  
no. Newport.*

LABOUR COSTINGS

Ian Stewart wrote the attached letter to Judith Chaplin pointing out that John Patten was doing some freelance costings. I think this is very bad news and these sorts of operations will destroy the credibility of any costings we do.

2. I can have a quiet word with John Godfrey to suggest that John Patten desists. But I think it might be useful if, by one route or another, Cabinet colleagues are alerted to the fact that we may try and do another costings exercise, and that any chance of its success would be shattered by people doing their own operations on inconsistent bases.

3. As for our own work on this, with a bit of luck we should have some material to work with once Labour have published their review. However, I fear Labour are not going to expose themselves quite as badly as they did last time and the pickings will be fewer.

*AG*  
*AG*  
A G TYRIE



# Conservative Research Department

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9511

Director: ROBIN HARRIS CBE

IS/st

25th April 1989

*Answers*  
*What do you think?*

*Dear Judith,*

*Just*  
*Clearly*  
*was it do!*

I don't know if you saw a copy of the speech made by John Patten over the weekend. As you can see on page 3 he deals with the cost of Labour's programme. The £25 billion total he comes up with is, to put it mildly, a bit dubious. The £12 billion for water includes £8 billion Labour say they will raise from industry and farmers. The £10 billion for nationalisation is the approximate cost of renationalising all the privatised industries, at their flotation price. And the £2 billion for health is a figure Labour has stopped using since the Autumn Statement increases in NHS expenditure. In addition I have no record of Labour saying that they could extend CGT to the sale proceeds of first homes.

I had a word with John Godfrey about this. He obviously picked up the figures from a variety of sources including the Campaign Guide, Hansard and the papers.

It does seem to me that we rather weaken our case if we start trotting out all sorts of figures that aren't actually true and don't agree with what Ministers are saying. Would it be sensible to put this point to John Godfrey?

*Yours,*  
*Ian*

IAN STEWART

Mrs Judith Chaplin  
Special Adviser  
H.M. Treasury  
Parliament Street  
LONDON SW1P 3AG

*284/4*





Press & Public Relations  
Department.

Phone: 01-222-9000  
01-222-0151/4

Conservative Central  
Office.  
32 Smith Square,  
London SW1P 3HH

JOHN PATTEN MP

Release Time: 20.00 hrs Friday, 21st  
April 1989. 600/89

Extract from a speech by Mr John Patten MP (Oxford West and Abingdon), Home Office Minister of State, to the Members of the Central Oxford Conservative Club, on Friday, 21st April 1989.

### LABOUR POLICY REVIEWS - TIME TO GET OUT THE CALCULATOR

We are entering a new stage as far as the Labour Party is concerned. For two years they have enjoyed the traditional luxury of an opposition: to criticise without offering constructive alternatives, to carp without explaining what they would have done.

All that is changing now. Their days of pop-songs and videos, wine and red roses are over. They have started to unveil the package of ideas contained in their Policy Review.

They claim their review has produced 200 new ideas. That is 12 1/2 for each member of the Shadow Cabinet. But it is the quality and cost of original thought rather than the quantity, that counts. History is littered with the debris of impractical, hastily thought-out and very expensive ideas. Mr Kinnock has resurrected a good number of these amongst his latest list of proposals. We can now start calculating not just their political, but their financial cost.

/... He wants a new



He wants a new Department of Innovation, Trade and Industry, to intervene in key sections of the economy. You do not require a long memory to appreciate that we have been round that course before, or a vivid imagination to realise that this is classic 'doublespeak' - such Departments tend to stifle innovation, cripple trade and decimate industry.

Harold Wilson's and George Brown's Department of Economic Affairs provides him with a prototype: short-lived, completely unsuccessful and bitterly resented, it was scrapped very quickly. No tears were shed for it.

Government intervention in Jaguar seemed to produce large losses (£32 million in 1981), a low output and a reputation for unreliability.

In the private sector, turnover and profits have soared, vehicle production has reached new records, more people are employed and Jaguar cars are admired and sought after overseas.

Remember when British Steel worked under the yoke of Government? It lost more than £1 3/4 billion of taxpayers' money in 1979-80 alone. Now it is a profitable company, leading the way amongst its European competitors. Instead of Whitehall mandarins, it has 63,000 employee shareholders, all determined to make their company succeed. Innovators, traders and industrialists are not to be found in Government Departments. They exist on the factory floors and in the boardrooms of British industry.

Their new policy review restates their cherished belief in nationalisation, or social ownership as they now like to call

/... it. They remain



it. They remain vague as ever on detail. But, even if they decided to buy back at cost the shares which millions hold as an investment in Britain's future, the Bill would run to more than £10,000 million. If they bought back with the proper compensation, it would be far higher.

Then, they would impose a capital gains tax on sales of property, including for the first time on main dwellings. For once, Mr Kinnock has broken new ground with this idea. None of his predecessors has held the home-owner in such contempt as to want to penalise any improvement he wishes to make to his house.

Under this proposal, the owner who takes the initiative to fit double-glazing, to build a porch or extension or even to improve home security would see the fruits of his or her labour disappear into Treasury coffers.

The Labour Party's message to the improver and the do-it-yourselfer is "don't bother!". A clearer prescription for neglected, run-down and even unsafe housing would be hard to devise. I speak as a former Housing Minister.

But the most striking thing about the Labour Party is the spirit of collective irresponsibility with which they approach every problem. In every situation, their solution is "spend, spend, spend". Already they have promised £12,000 million to the Water Industry. That is almost half our annual spending on Health, or almost all of this year's public sector debt repayment. Add to that £10,000 million or more to buy back shares, a promised £2,000 million for Health, £600 million more to restore the GLC, plus another £2,700 million incurred by allowing councils to spend capital. These are just five items, but they come to more than £25,000 million. The Policy Review contains 100 new ideas. They seem to have a blank cheque from Mr Kinnock.

These policies would mean guaranteed bankruptcy - for



individuals, firms and for the country. Labour's Policy Review is no more than an extended shopping list of items the country cannot afford. All of us should be looking down that list and counting the unacceptable cost of a Labour Government. My calculator is certainly out!

Their promises are also deeply cynical. In every field of policy, they aim to buy the voters, but bankrupt the country. Do they never realise that in the end, the voter has to pay. Do they not understand that a bankrupt Britain would be no more than nearly sixty million bankrupt individuals? Do they not remember 1976 and the IMF? Surely at least John Smith, the Shadow Chancellor, understands that: it is unfortunate that he cannot prevent his colleagues making their cynical and ultimately dangerous, promises.

(Ends)



pnp



Handwritten in red ink: *Handwritten*

Ch/

The March average earnings figure, to be published on 18 May, remains  $9\frac{1}{4}\%$ .

The headline unemployment figure for April is 1,884 million (down 76,600) and the adjusted figure 1.856 million (down 60,200) giving a rate of 6.5% (down from 6.7%).

DIS





FROM: A C S ALLAN  
DATE: 28 April 1989

*Py*

MR TYRIE

cc PS/Chief Secretary  
PS/Paymaster General  
Mrs Chaplin  
Mr Call

**LABOUR COSTINGS**

The Chancellor has seen your minute of 26 April to the Chief Secretary. He had a word with the Home Secretary, who takes the point.

*ACSA*

A C S ALLAN



CONFIDENTIAL

FROM: J DE BERKER (PAY1)

DATE: 16 May 1989

Ext: 5605

*Discussed and  
agreed with Mr Kelly*

1. ~~MS SEAMEN~~
2. CHANCELLOR

cc Chief Secretary  
Sir P Middleton  
Dame Anne Mueller  
Mr Anson  
Mr Phillips  
Mr Monck  
Mr C W Kelly  
Mr Williams  
Mr Bent  
Mr Holgate

*Agreed*

ELECTRICITY WORKERS

1. Mr Parkinson is coming later this afternoon to sound you and the Prime Minister out about the next steps in the electricity pay negotiations.'

2. The unions have rejected an opening offer of 6.9 per cent and have balloted in favour of industrial action. An improved offer of 7½ per cent was rejected on Thursday and an overtime ban is due to start on 24 May. A further meeting with the unions is due on Saturday 20 May.

3. We do not know what Mr Parkinson has in mind but according to press reports union leaders are looking for an offer between 8½ and 9 per cent. On past form Mr Parkinson is likely to argue for an offer at the upper end of the range and possibly even above it to be certain of clinching a settlement.

4. Although impending privatisation makes the Electricity Industry a special case a high settlement would have most undesirable repercussions more generally - particularly on the buses, underground and railways - so we do not advise you to agree to anything more than 9 per cent and if possible to press for a settlement of not more than 8½ per cent (which what was agreed at CAA and which is what the water unions claim they have settled for although in fact their settlement is only 7½ per cent).

CONFIDENTIAL



Background

5. The negotiations cover 77,000 manual workers and the unions involved are the EETPU, GMB, AEU, and TGWU. Last year's settlement was 7 per cent. This was higher than the general level of settlements at the time but you accepted this because of impending privatisation.

This year's negotiations

6. Mr Parkinson's conduct of this year's negotiations has been most unsatisfactory as he has refused to clear offers with colleagues before they were made or to discuss what he considers should be the upper limit to the negotiating remit. He has also failed to follow the agreed procedures for British Coal and UKAEA.

7. The opening offer of 6.9 per cent was made by the Electricity Council at the informal meeting with the unions on 19 March. Mr Parkinson wrote to the Chief Secretary on 23 March. The offer was already firm but it was made formally on 6 April and promptly rejected by the unions who balloted for industrial action. The outcome announced on Tuesday was a 6 to 1 majority in favour of industrial action short of a strike, and a narrower majority in favour of action including strikes - although the EETPU (the main union in power stations) voted against a strike. An overtime ban is due to start on 24 May.

8. There was a further meeting between the Electricity Council and the unions on Thursday 11 May when an offer of 7½ per cent was rejected. The offer was not cleared with us beforehand. A further (informal and unpublicised) meeting with the unions is scheduled for next Saturday 20 May.

Other negotiations

9. The CAA have settled for 7½ per cent plus 1 per cent for targeted increases making 8½ per cent on the pay bill. The water workers have settled for 7½ per cent although the unions claim the settlement is worth 8½ per cent.



10. The transport negotiations are at a difficult stage. British Rail has made a final across the board offer of 7 per cent (the limit of its remit) and indicated that further targeted payments will be available in the South East. The unions are balloting for industrial action and the results will be known at the end of May. There is unofficial action on Southern Region.

11. London underground have remit of 7½ per cent and have offered 7¼ per cent in cash plus ¼ per cent in benefits. This has been rejected. There are separate discussions on the train drivers' and Action Stations disputes.

12. At London buses the Chief Secretary has just agreed that the overall remit should be increased from 7½ to 8 per cent because the Chairman of London buses (John Telford Beasley) and Mr Channon believe that this will bring about a settlement. So far the platform staff have been offered 7 per cent in cash plus ½ per cent in benefits (the offer for engineers is slightly different). The cash element will be increased to 7½ per cent early next week and it is hoped that this will lead to a settlement some time next week.

13. Clearly it would be helpful if any developments on electricity pay minimised the scope for repercussions on other public sector negotiations. Last year's electricity settlement was reached on the basis that there would be a minimum of publicity - and by and large the unions stuck to this.

#### Affordability

14. Affordability is a problem but a comparatively minor one as far as pay is concerned. The EFL is under pressure because of the additional investment in the run up to privatisation and because of the cost of privatisation itself, but pay is a small proportion of the total costs and each 1 per cent on the pay bill only costs about £20 million.

15. However workers in the industry have already benefited substantially from this. The preliminary results of work by Touche Ross on the "X" factor for the price regulation of the distribution companies suggests that the employees in the area



boards get 18 per cent more than those in comparable jobs outside the industry.

Conclusion

16. Power workers may be a special case but an excessive settlement will repercuss on other public sector pay negotiations so it is important to keep it as low as possible. If the offer is to be increased substantially it must be on the basis that the unions will accept it and call off further industrial action.

17. PE are content.

*Jonathan De Berker*

JONATHAN DE BERKER



CONFIDENTIAL

Line to take

1. Power workers may be a special case because of industrial power and ability to damage privatisation. But power workers had a substantial pre-privatisation increase last year (7 per cent when RPI was 4 per cent). And high settlement likely to repercuss in other public sector pay negotiations which are in a delicate state, ie London buses, London Underground, British Rail. Will be important not to damage chances of acceptance of 8 per cent to be offered next week to London Buses.

2. But recognise may be important to get a deal with power workers, if we can at acceptable cost - given their ability to make trouble.

3. One further difficulty is RPI on Friday will show 8 per cent (or possibly 8.1 per cent).

4. In light of all this, 8½ per cent would clearly be preferable outcome. But reluctantly prepared to go to 9 per cent, if Mr Parkinson confident that this will secure settlement.





1 Done ✓  
2 PMP  
X 10/11/15

Ch;

Power workers pay

Paul Gray tells me that Mr Parkinson telephoned the PM on Sat. am to say that no settlement was possible below 9.2%. Could he go to that?

The PM pressed for an effective settlement of, say, 9.2%, but with the appearance of less. Mr P. said this wasn't on - the unions had already hooked themselves up to a "substantial" settlement of around 9.2. PM then gave her authority to settle at 9.2.

2. I have asked Mr P's office to write round on this today.

2/22/15





FROM: D I SPARKES

DATE: 17 May 1989

MR J DE BERKER (PAY1)

*pm p*

**ELECTRICITY WORKERS**

The Chancellor was grateful for the briefing you provided at short notice for his meeting at No.10 yesterday.

*D.I.*

DUNCAN SPARKES



mwp



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 238 2290

CH/EXCHEQUER	
REC.	24 MAY 1989
ACTION	
COPIES TO	

Paul Gray Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
LONDON  
SW1A 2AA

23<sup>rd</sup> May 1989 ✓

Dear Paul,

My Secretary of State discussed the esi pay negotiations with the Prime Minister and the Chancellor last week. They agreed that the Electricity Council should aim to settle at below 9% if at all possible. They also agreed that the unions should undertake to recommend any offer to their members.

As you know, the unions held out strongly on Saturday for a settlement above 9%; indeed there was a substantial body of opinion amongst the union negotiators that they should not settle for less than 10%. The deputy Chairman of the Council, their chief negotiator, advised my Secretary of State during the talks that a settlement at 9.2% was the minimum achievable. My Secretary of State reported this to the Prime Minister. In view of the unique position of these unions, and, in particular, that they could cause great economic disruption at little cost to themselves, it was agreed that the Council could offer 9.2%. The Council succeeded in reaching agreement at that figure. The unions have called-off the overtime ban and have undertaken to recommend acceptance. There will be a ballot and we expect the outcome to be known in mid June. The Council also succeeded in agreeing with the unions that there should be an early move to local bargaining; something which the unions have previously resisted strongly. This should help bring about significant efficiency gains and smooth the transition to the private sector. The Council have stressed the uniqueness of this agreement in presenting the settlement. I attach a copy of their press statement and the statement agreed between the Council and the Unions.

I am copying this to Jonathon Taylor in the Chancellor's Office. I should be grateful if you would treat this letter in the strictest confidence.

Yours  
Stephen

S HADDRILL  
Principal Private Secretary



Statement following NJIC meeting 20 MAY, 1989

An Electricity Council spokesman said:

After ten hours negotiation agreement was reached on a major and unique package which the unions will put to their members with a recommendation for acceptance.

The unions proposed industrial action has therefore been called off.

The far reaching package includes a salary increase worth 9.2 per cent coupled with the recognition of the need for a new approach to the major changes that privatisation will bring to the Industry. In consequence it was agreed that the Boards managements will initiate discussions locally about changes in the utilisation of NJIC staff that will be necessary both in the short and long term and may include new arrangements in future negotiations.

While acknowledging the past productivity achievements of NJIC staff and their contribution to the success of the Supply Industry, it was recognised that privatisation will bring greater diversity in the organisation, needs and operating practices of the Boards and their successor companies.

Improvements in this area will operate to the long term advantage of:

- the Industry - through cost efficiencies and profitability.
- staff -through, pay, conditions, employment and career prospects,
- and customers - through improving standards of service and quality at reasonable costs.



Agreed statement

Both sides of the NJIC appreciate the impact of privatisation on the whole of the Industry and that all staff must adapt to the changing circumstances. While recognising the past productivity achievements of NJIC staff and their contribution to the success of the Supply Industry, they are agreed that privatisation will bring greater diversity in the organisation, needs, and operating practices of the Boards and their successor companies. There must therefore be meaningful discussions within Boards between managers, staff and their representatives about changes in the utilisation of NJIC staff that will be necessary both in the short and long term.

The NJIC has agreed that Boards' managements will initiate such discussions at local level and that the key principles in optimising productivity and efficiency are: the ongoing development of technological advances; the efficient use of manpower; the minimisation of overtime; and the application of best working practices. Such improvements operate to the long term advantage of the Industry, through cost efficiencies and profitability; staff, through pay, conditions, employment and career prospects; and customers through improving standards of service and quality at reasonable costs .

The intention is that these matters should be resolved locally; any issue which is referred into the machinery will be judged against the above. Therefore, management, staff, their representatives and officials will need to co-operate with such discussions and to develop from them approaches for the future negotiation of pay and conditions of employment.



*ppwp*  
*[Faxed to DSS private office]*  
*6/6.*

FROM: S W MATTHEWS (ETS)  
DATE: 6 June 1989  
Ext 4630

MR SPARKES (APS/CHANCELLOR)

cc Mr McIntyre  
Mr Lawton

**DSS CORRESPONDENCE WITH LOW PAY UNIT**

You asked for comments on the letter which DSS have prepared for Mr Moore to send to Mr Pond.

2. I understand that the letter already incorporates a number of drafting changes proposed by ST, and we are content that it should be a short letter focusing largely on the point that low earnings and low living standards are not the same thing. Unfortunately, the draft does not make this point as clearly as it might. Instead of launching straight into the statistical analysis in the third paragraph it would be worth adding an additional couple of sentences after the first sentence of that paragraph to try to explain in general terms why low earnings are not synonymous with poverty, and where the figures subsequently quoted come from: eg:

"In many cases individuals with low earnings are second earners or young people, and are not members of households at the lower end of the income distribution. This can be seen by analysing data on the gross earnings of individuals and on the total incomes of the households in which they live, as recorded in the Family Expenditure Survey."

The draft could then continue "In 1985 ....".

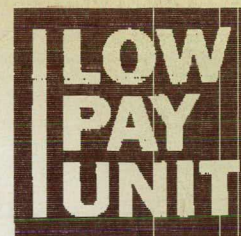
*SM*

S W MATTHEWS



JofS

To note - Ian Williams is drafting  
a reply. Jmt 30.5.89 ✓



12 May 1989

The Rt Hon Mr John Moore MP  
Secretary of State for Social Security  
House of Commons  
London  
SW1A 0AA



9 Upper Berkeley St.  
London W1H 8BY  
Tel: 01 262 7278

Dear Mr Moore

You may recall that on 28 April last year the Chancellor of the Exchequer said on ITV's This Week Next Week: "Half average earnings in this country, which is poor; that's poor - half average earnings."

You reject the suggestion that 15 million people live in or near poverty, yet on the basis of your own Department's statistics, that was the number of individuals who, in 1985, had an income of 140 per cent of Supplementary Benefit or less. In today's terms that implies an income (less housing costs) slightly less than £120 per week - approximately half average earnings.

Might I therefore suggest that, before further public criticism of organisations such as the Low Pay Unit for using a similar formula to calculate poverty, you have a quick word with your Cabinet colleague and attempt to agree a definition of poverty between you?

In the meantime, I would like to extend to you an invitation to spend a day with the Low Pay Unit. We would be very pleased to provide you with an opportunity to see first hand what it is like to try to manage on an income of less than £120 a week. I hope you will be able to accept this invitation.

Yours sincerely

*Chris Pond*

CHRIS POND  
DIRECTOR

Director: Chris Pond  
Deputy Director:  
Louie Burghes  
Chair: Marcia Levy  
Company Registration  
No. 2859401



JOHN MOORE

expressed in this matter.  
 Thank you, nevertheless, for the interest you have  
 I am sure that I am sure to accept your invitation to spend a  
 living standards of households in the middle income ranges.  
 that they will depress, through the distribution of jobs, the  
 will not only be broadly distributed on those who need help most but  
 those who advocate minimum wage legislation is that such policies  
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 range.

whose living standards were high in the middle of the income  
 11 per cent) and in general the group lived in households  
 13 per cent) lived in the top 10 per cent in the bottom  
 10 per cent of the income-distribution. Indeed, more of this  
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 bottom of the earnings distribution. Six out of ten of full-time  
 weekly low wages, was as approximately the same percentage  
 and in 1982. In 1982, a half of average gross earnings, the  
 roughly, that low earnings and low living standards necessarily do  
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at all levels living standards are rising.  
 exclusion of earnings rise and ignores the important point that  
 your letter focuses on the distribution of earnings to the

Thank you for your letter of 13 May.

*Handwritten notes:*  
 of a...  
 Mr. Moore...  
 1982...  
 1988  
 Mr. Williams  
 cc Mr. Williams

MJH 8BA  
 London  
 2 Upper Berkeley Street  
 Low Pay Unit  
 Director  
 Clarendon House



From the Secretary of State for Social Security  
 Telephone 01-510 3000  
 Clarendon House, 20 Whitehall, London SW1A 2NS  
 DEPARTMENT OF HEALTH AND SOCIAL SECURITY





DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services Security

Chris Pond Esq  
Director  
Low Pay Unit  
9 Upper Berkeley Street  
London  
W1H 8BY

cc Mr McIntyre  
Mr Matthews

We spoke. ~~Unfortunately~~ June 1989

~~I don't have the Low Pay Unit's letter.~~  
DSS seem to think we should clear their reply. Comments of a nil return by Tues lunchtime please. @15.

Thank you for your letter of 13 May.

Your letter focuses on the distribution of earnings to the exclusion of everything else and ignores the important point that at all levels living standards are rising.

The Government does not accept, as the Low Pay Unit seeks to imply, that low earnings and low living standards necessarily go hand in hand. In 1985, a half of average gross earnings, the measure you mention, was at approximately the tenth percentile point of the earnings distribution. Six out of ten of full-time earners with earnings below this point lived in households in the top half of the income-distribution. Indeed, more of this group (13 per cent) lived in the top fifth than in the bottom fifth (10 per cent) and in general the group lived in households whose living standards were firmly in the middle of the income range.

My views on "poverty" should I think be clearer to you, but what these results indicate is that there is no simple or direct relationship between low earnings and low living standards and that policy proposals which assume such a relationship will produce the wrong answer. This means that targetted help is much more likely to be efficient and effective than minimum wage legislation. For example, what these figures should suggest to those who advocate minimum wage legislation is that such policies will not only be poorly targetted on those who need help most but that they will depress, through the destruction of jobs, the living standards of households in the middle income ranges.

I am afraid that I am unable to accept your invitation to spend a day with you. Thank you, nevertheless, for the interest you have expressed in this matter.

JOHN MOORE





DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01 210 3000

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JOHN MOORE



*JoFS*

*To note - Ian Williams is drafting a reply. Jm 30.5.89*



12 May 1989

The Rt Hon Mr John Moore MP  
Secretary of State for Social Security  
House of Commons  
London  
SW1A 0AA



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Yours sincerely

*Chris Pond*

CHRIS POND  
DIRECTOR

Director: Chris Pond  
Deputy Director:  
- Burghes  
- Marcia Levy  
- Registration  
- 59401



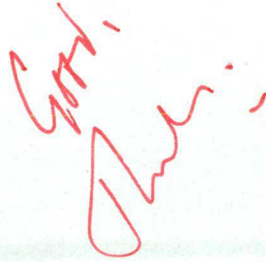
CONFIDENTIAL

FROM: MRS JUDITH CHAPLIN

7th July 1989

x4359

CHANCELLOR



cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Paymaster General  
Mr Tyrie

**DIRECTORS' PAY AWARDS**

I have spoken to Peter Morgan, the Director-General of the IOD. He had already decided to discuss the high pay awards with his Company Affairs Committee on Monday. His line is that where you have a man increasing the value of a company substantially - just as with a football team going towards the top of Division 1 - then high rewards are justified and should not be criticised in either case. Where the company is not doing well, and there is little value added, large increases are not justified and shareholders should be questioning them.

2. I said that it would be helpful if these views were publicised and I hope that he will do that at the beginning of next week.



JUDITH CHAPLIN





FROM: D I SPARKES  
DATE: 11 July 1989

MRS CHAPLIN

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Paymaster General  
Mr Tyrie

**DIRECTORS' PAY AWARDS**

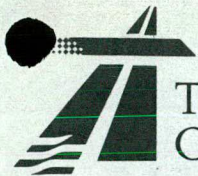
The Chancellor was grateful for your minute of 7 July concerning the line Peter Morgan (IOD) proposes to take on high pay awards. He was content.

*OMP*

*D.I.*

DUNCAN SPARKES





THE DEPARTMENT  
OF TRANSPORT



FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB  
TELEPHONE 01-276 3000

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

My Ref:

Your Ref:

*John*

CHIEF SECRETARY	
REC.	18 JUL 1989
ACTION	<i>Mr Moore,</i>
COPIES TO	<i>Mr Swinburn, Mr Deighton</i>
	<i>Mr Anson, James Muller</i>
	<i>Mr Mouch, Mr Kelly</i>
	<i>Mr de Burkes, Mrs Chaplin</i>

18 JUL 1989

*mm*

**LONDON UNDERGROUND PAY**

The Chairman of London Regional Transport (LRT), Wilfrid Newton, has asked to see me tomorrow to talk about the handling of the strikes on the Underground. His managers are due to meet the Unions on Thursday. The leaders of ASLEF, in particular, want to make progress with their pay claim now that they have settled with BR.

There are three disputes affecting the Underground. First, all the unions are looking for a higher increase in basic pay than the Management has offered (the current offer is 7.25% in cash plus 0.25% in benefits). Second, train crews have said they want £64 a week on top of the basic increase to settle their long running grievance about One Person Operation. Third, station staff are opposed to the Management's proposals for promotion on merit and greater job flexibility. ASLEF and the NUR have valid ballot support for one day strikes in the train crew dispute; and the NUR secured majority support for indefinite disruption over the proposals affecting station staff.

The Management believe they have two options. The first is simply to sit out further industrial action for as long as it takes to wear down the endurance of the workforce. The unions have said privately that they are ready to go on with one day strikes indefinitely. The alternative is to come forward with some increase in the basic pay offer and insist that the only way forward on the other disputes is through a productivity deal.



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Underground Management believe they are on weak ground if they try to sustain their present basic pay offer. Although inflation is set to fall, the unions will not even contemplate a basic increase of less than 8.3%. They will certainly press for more than that because BR's staff in the South East have been offered 8.8% on basic plus a further 2% through the South East pay supplement. This leads the Underground Management to think that the least the unions might be willing even to accept is 8.5% on basic pay.

ASLEF and the NUR know that there is not the slightest prospect of an extra £64 a week increase for train crews. Management could offer a productivity deal which would cut train crew costs by 10% and give the crews an extra £30 a week, on top of the basic increase. There would be two productivity requirements.

First, the number of "spare" train crews (eg to cover for illness, holidays, absenteeism) would be cut. Second, flexible rostering would be introduced. These productivity improvements would be phased. The number of spare crews can be cut quickly by putting a brake on recruitment. So the management might offer £10 a week from 10 April in return for agreement to reduce the number of spare crew. Flexible rostering could be introduced progressively from October to November, when another £10 would be paid. Some time between February and April, the final £10 would be paid provided the unions had co-operated fully in delivering the reduction in spare crews and the introduction of flexible rostering.

The Management would try to separate the discussions about basic pay from those about productivity. The aim would be to get the first settled and reach agreement for a timetable for negotiations on the second. The opening offer on basic pay would not be 8.5% but that would be the level up to which the negotiators would be authorised to go.

The Management would come forward in a similar way with a productivity package for station staff.

I am doubtful whether the NUR, in particular, would be willing to call off its strikes if Underground Management were to make this pay and productivity offer. On the other hand, if the Management just sits tight and makes no positive proposals that would sound unreasonable to the public and there is the risk that it is Management rather than the Unions who will be the target of public dissatisfaction. I believe it would be right, therefore, for LRT to increase its basic pay offer up to 8.5% and to say publicly that more money is available in return for separate talks about productivity.

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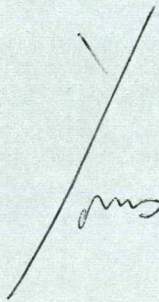
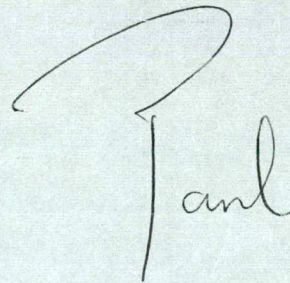


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Wilfrid Newton will, I know, ask me if I have any comments on his approach when he sees me tomorrow afternoon. Naturally, I should want him to be able to show that any productivity scheme really was self-financing. But I, in return, will be pressed for a view on the Management's general strategy and their ideas about handling the basic increase in pay.

I should be grateful, therefore, if we could have a word about this before I see Wilfrid Newton tomorrow afternoon.

I am sending copies of this letter to the Prime Minister and Norman Fowler and to Sir Robin Butler.

A handwritten signature in cursive script, appearing to read 'Paul', written over a faint, illegible stamp or watermark.A handwritten signature in cursive script, clearly legible as 'Paul', written in dark ink.

PAUL CHANNON

CONFIDENTIAL



000386



**SECRET**

Department of Employment  
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . . **5803**  
Telex 915564 Fax 01-273 5821

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Secretary of State	
CHIEF SECRETARY	
REC.	19 JUL 1989
ACTION	Mr C W Kelly
COPIES TO	ex Sir P Middleton
	Mr Anson, Dame A Meller,
	Mr Menck, Mr Moore,
	Mr de Benker, Mr Chaplin.

18 July 1989

*Dear John.*

**LONDON UNDERGROUND PAY**

Paul Channon's letter of 18 July about Wilfrid Newton's proposed approach to the London Underground disputes raises a number of questions that clearly call for sensitive handling. I am especially concerned about the tactics, bearing in mind the inter-relationship with the current situation on British Rail.

Whatever new offer is authorised for London Underground basic pay, I am sure it would be a mistake to make any advance on the existing 7.5 per cent before the BR pay dispute is settled and out of the way. Until then, the suggested increase seems unlikely to resolve the issue or prevent further one-day strikes on the Underground. It would merely raise the basis for negotiations about the final settlement and would therefore be largely wasted at the present time.

In my view, therefore, Thursday's talks should preferably concentrate on exploring with the unions what they are really seeking, but without commitment on the management side.

I am sending copies of this letter to the Prime Minister and Paul Channon and to Sir Robin Butler.

*John*

*Norman Fowler*

**NORMAN FOWLER**



**SECRET**

Employment Department · Training Agency  
Health and Safety Executive · ACAS



CONFIDENTIAL

jwp

FROM: C W KELLY (PAY)  
Room 120A/3  
DATE: 19 July 1989  
ext 4400

CHIEF SECRETARY

cc: Chancellor  
Sir Peter Middleton  
Mr Anson  
Dame Anne Mueller  
Mr Monck  
Mr Moore  
Ms Young  
Mr de Berker o/r  
Mrs Chaplin

clw/ You will wish to see these papers.

Mr Channon (behind) is seeing LRT management this pm and wants to authorise an increased offer on basic pay. Mr Fowler (behind) thinks we should wait until the BR picture is clearer. CST will agree with Fowler, taking the line Mr Kelly suggests in this minute.

**LONDON UNDERGROUND PAY**

suggests in this minute.

DIS

London Regional Transport (LRT) management have decided that the time has come to make a move on London Underground pay. Mr Channon's letter of 18 July sets out their proposals and asks for a response by 3.00 pm this afternoon, when he is to see the LRT chairman. The LRT have called a negotiating meeting with ASLEF and the NUR on Thursday. Meanwhile ASLEF have already called a strike for 26 July, and the NUR are expected to do the same today.

(ie Mr Channon's)

2. The proposals are:

i. To increase the offer on basic pay from 7.5 per cent to "up to 8.5 per cent".

ii. To offer separate talks on productivity to train crews and station staff.

3. The productivity package for station staff has not yet been worked out. What LRT have in mind for train crews is phased payments amounting to an additional £30 by next April in return for the introduction of flexible rostering and cuts in the number of "spare" train crews required for cover purposes. The two combined are said to reduce train crew costs when fully implemented by about 10 per cent. The additional £30 a week is also said to cost around 1 per cent. But the phasing LRT



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envisages would apparently mean that the arrangement was less than fully self-financing in the first year. We do not yet know by how much.

4. Relevant factors are:

i. The British Rail offer of 8.8 per cent to the same unions (10.8 per cent in London).

ii. The offer to bus crews of 8.4 per cent on which the platform staff are currently balloting, with the result expected later today. The unions have been presenting this as 9.1 per cent.

5. The chances of settling with the underground at the current offer of 7.5 per cent must now be close to zero. Some increase is probably inevitable if we want settlement.

6. Some kind of productivity deal is also likely to be necessary if LRT are to dispose of the one person operated train element of the dispute; and flexible rostering would be quite an important prize to secure.

7. But:

i. The pay and productivity proposals taken together would give train crews a total increase by next April of 19 per cent.

ii. The costing of the productivity scheme is a bit vague, and it is very unsatisfactory that it does not even appear to be self-financing in the first year.

iii. Most importantly of all, even at these levels Mr Channon does not think that LRT would secure agreement with the NUR, who have the majority of the drivers.

8. I suspect that this last judgement is almost certainly right. It seems most unlikely that the NUR would be prepared to settle while they are still in dispute with British Rail.



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9. That being so, the most likely outcome of the LRT's proposals is that they would simply have upped the ante, without securing an agreement, and possibly against headlines of 19 per cent offers. That would be lunatic.

10. In the circumstances, the alternative of continuing to sit out the dispute for a while longer yet does seem preferable.

11. In our view the best advice Mr Channon could therefore give to the LRT is that in no circumstances should they advance their offer to 8.5 per cent unless and until there are better signs that this would secure an agreement. That should not rule out giving some kind of indication on Thursday that there might be some limited flexibility in their position and that they are prepared to open negotiations on a productivity package (though that ought to be at least self-financing).

12. We understand that Mr Fowler is likely to be saying something similar.

13. I attach a draft letter. Mr Channon actually asks for a word with you. But I understand that there may be some difficulty in getting hold of him.

14. PE agree.

*Edna Young*  
fv C W KELLY

enc



The Rt Hon Paul Channon MP  
Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
LONDON  
SW1P 3EB

#### LONDON UNDERGROUND PAY

Thank you for your letter of 18 July about London Underground pay.

I can understand why LRT management feel they now have to take some positive steps to resolving the dispute. I also accept that it will almost certainly involve some increase in the present 7.5 per cent offer in order to secure that.

But I am not convinced that it is necessary to go as high as 8.5 per cent, especially when that is combined with the extremely generous productivity proposals. Nor can I see that it makes sense to make an offer at this level unless and until there is some indication that it is likely to be accepted. Your letter suggests that it would not be, at least by the NUR, and I can well believe that while the British Rail dispute is still continuing. If they are not careful, all LRT management will succeed in doing is upping the ante in an expensive way.

I am also concerned that, as I understand it, the proposed self-productivity package is not intended to be fully self-financing in the first year. Can that really be sensible when such substantial sums are involved?

Whatever LRT do, I am sure it is understood between us, though you do not explicitly say so, that the cost will have to be absorbed within their existing EFL.

I am sending copies of this letter to the Prime Minister and Norman Fowler and to Sir Robin Butler.

JOHN MAJOR





cc:  
 Chancellor  
 Sir Peter Middleton  
 Mr Anson  
 Dame Anne Mueller  
 Mr Monck  
 Mr Moore  
 Mr C W Kelly  
 Ms Young  
 Mr de Berker  
 Mrs Chaplin

Treasury Chambers, Parliament Street, SW

The Rt Hon Paul Channon MP  
 Secretary of State for Transport  
 Department of Transport  
 2 Marsham Street  
 London  
 SW1P 3EB

19<sup>th</sup> July 1989

**LONDON UNDERGROUND PAY**

Thank you for your letter of 18 July about London Underground pay. I have also seen Norman Fowler's letter of the same date.

I can understand why LRT management feel they now have to take some positive steps to resolving the dispute. I also accept that it will almost certainly involve some increase in the present 7.5 per cent offer in order to secure that.

But, like Norman, I am not convinced that it is necessary to go as high as 8.5 per cent, especially when that is combined with the extremely generous productivity proposals. Nor can I see that it makes sense to make an offer at this level unless and until there is some indication that it is likely to be accepted. Your letter suggests that it would not be, at least by the NUR, and I can well believe that while the British Rail dispute is still continuing. If they are not careful, all LRT management will succeed in doing is upping the ante in an expensive way.

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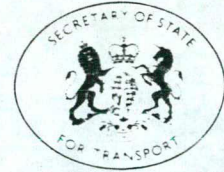


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*mp*



THE DEPARTMENT  
OF TRANSPORT



FROM THE SECRETARY OF STATE

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

*ch/ As you see,  
Wilfrid Newton persuaded Mr  
Channon to ignore CST/Fowler  
advice and  
LUL have upped their basic  
pay offer,*

2 MARSHAM STREET LONDON SW1P 3EB  
TELEPHONE 01-275 2400

Your Ref:

*DIS*

*Mr C W Kelly  
ex. Sir M J Dutton  
Mr Anson, Dame A Mueller,  
Mr Menck, Ms Young  
Mr de Berker, Mrs Chaplin.*

*[Handwritten notes in red ink: "Dawson" and "CST v. LUL"]*

19 JUL 1989

*Dear Chief Secretary*

**LONDON UNDERGROUND PAY**

The Chairman of London Regional Transport (LRT) came in this afternoon to give me his appreciation of the industrial relations position on the Underground and to say how management plan to approach their negotiations with the unions tomorrow.

The negotiations will take place in the Railway Negotiating Council, which includes the ASLEF, NUR and TSSA. The meeting was requested by ASLEF towards the end of last week; on Monday, the NUR and TSSA said that they too wished to take part in discussions.

There were informal talks between management and ASLEF last Friday. Although London Underground had assured my officials that no figures would be mentioned in those informal talks, in the event the management representatives indicated that they might be willing to offer up to 8.5% on basic pay. Wilfrid Newton believes that ASLEF has used those informal talks to inspire the attached story in today's Standard.

Wilfrid Newton is certain that the unions will walk out of the meeting tomorrow unless figures are mentioned. Management would then be loudly and publicly accused of bad faith and there would probably be a rerun of the press and Parliamentary condemnation of management's behaviour and competence that we have seen in the BR dispute. Mr Newton believes that the unions will not want to settle for less than 8.8% - the BR figure. Management's aim, however, is to get a settlement of less than that amount. His plan for tomorrow, therefore, is to offer all three unions 8.5% on basic pay (backdated to 10 April), payable only when:

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(a) ASLEF and the NUR agree to a self-financing pay and productivity deal of up to 4% on pay for train crews, involving the reduction of "spare" crews:

(b) the NUR and TSSA agree to begin negotiations to resolve the disagreement about the "Action Station" proposals, involving promotion on merit and flexible working: and

(c) all three unions call off threats of further industrial action.

I pressed Wilfrid Newton hard on why he needed to make any offer tomorrow and on the desirability, from his point of view, of waiting, until the BR dispute was finally settled. He remained adamant that a meeting tomorrow at which management did not mention figures would be very damaging and that it was not a realistic option. He gave me the firm assurance that the reduction in the number of train crews would finance in full this year an increase of up to 4% and that it would improve the Underground's financial position next year.

It was clear that, short of my giving LRT an instruction, Wilfrid Newton would pursue these tactics at tomorrow's meeting. If we were to give an instruction, it would most certainly leak and few would believe that we had not been giving similar instructions to BR.

Wilfrid Newton doubts that an offer of 8.5% on the conditions he described to me will secure a settlement tomorrow. But he sees it as an essential first step towards ending the dispute. It is unlikely, however, that a settlement can be reached in time to avert the strike already called for next Wednesday.

My officials have written to Wilfrid Newton this evening confirming that he will be expected to meet any settlement within his existing EFL.

*Robson* | Much as I should have preferred London Underground management to avoid mentioning any figures tomorrow, I think that Wilfrid Newton's assessment is realistic in the current circumstances.

I am sending copies of this letter to the Prime Minister and Norman Fowler and to Sir Robin Butler.

Yours sincerely  
*Paul Channon*

PP  
PAUL CHANNON

*approved by the Secretary of State  
and signed in his absence*

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