

PREM 19/1083

SECRET

MT

PART 2

Confidential Filings

Pay of Local Authority Manual
Workers, Water Manuals + Firemen

LOCAL

GOVERNMENT

Pt 1 : October 1980

Pt 2 : November 1981

PART 2 ends:-

Employment to mes 9/2

PART 3 begins:-

B. Ingham to pm 9/2

SP



CF
Rpa

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....6400
Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

9 February 1983

Dear Michael

You sent me on 4 February a letter from Mr Cottam of the GMBATU about the Government's refusal to accept a mediator's recommendation in the Royal Dock Yards, comparing that with the position in the water industry. It would not be helpful, and Mr Cottam does not expect, a comment on the water industry. Geoffrey Pattie's office have agreed to reply on the position in the Royal Dock Yards. As a second rank trade union official Mr Cottam will not be surprised to have his letter treated in this way. Could you reply to him by saying that you have asked Geoffrey Pattie to answer his letter?

Yes
1
no need
to reply further
MS 2/2

Yours sincerely
Barabry Shaw

J B SHAW
Principal Private
Secretary

MR RICKETT

cc Mr Scholar ✓
Mr Mount
Mr Ingham

QUESTIONS: WATER STRIKE

In answer to invitations to comment on the negotiations (as agreed at this morning's meeting) -

"I understand that the National Water Council has formally requested ACAS to arrange arbitration, so the matter is in the hands of ACAS."

I think the Prime Minister could reasonably add -

"The unions are party to two agreements under which they are bound to accept arbitration. We expect the unions to honour such agreements, especially where essential services are at stake."

If the Prime Minister wants to use figures, the ones we gave her last week need to be slightly qualified to allow for the extras offered at the weekend:

"Before the present dispute began, manual workers in the water industry had already received an increase in their average weekly earnings of about 56% since April 1979. That is substantially better than manual workers in the Country as a whole, who received 44% over the same period.

On top of that, the water workers have now been offered an increase in basic pay which would bring their average earnings to over £145 a week. That would be an increase of about 64% since April 1979 - compared with an increase in prices of 52% over the same period. And a number of still further payments and benefits were discussed with the unions at ACAS on 6 February."

Avy water 5/11

*£41.98 79/80
£66.94 82/83*

i.e. 59.4% up

J.
8 February 1983

Prime Minister (2)

John Vereker's 11.3% was agreed with Employment (but not Environment) officials. It all depends on ^{cc} how the reduction in working week is costed. But all agree that, on any reckoning, the talks are about 9.6%, at least.

Mr Butler
Mr Ingham
Mr Mount

EARNINGS EFFECT OF WATER WORKERS' PAY OFFER

are about 9.6%, at least. MS 8/2

The Prime Minister will recall that Mr King was not entirely happy with the 11.3% figure for the maximum effect of the pay offer contained in the note she saw last night. I have now been over the table in detail with Mr King's officials, and we have agreed the figures. The difficulty arises from the fact that all figures for the earnings effect of pay offers contain a substantial element of guesswork, notably about hours worked. The main difference between the figures below and those I produced earlier is in the earnings effect of the 1-hour reduction in the working week: depending on how this is negotiated, there is a very wide variation in effect, but the Department of the Environment reckon it is only 0.7%.

	<u>Value</u>	<u>Average Earnings Effect</u>	<u>Cumulative Av. Earnings Effect</u>
<u>Mediator's Report (23 January)</u>			
1. Increase in Basic Rates	7.3% over 16 months	7.1%	7.1%
2. Long Service Increments for those with over 5 years' service	5.2p per hour for those affected	0.5%	7.6%
<u>ACAS Negotiations (5 February)</u>			
3. Improvements in the Water Industry Productivity Payments Scheme (WIPPS)	86p a week for 12-18,000, equivalent to 50p a week for all	0.3%	7.9%
4. "Len Hill's £5-10 a week" for Flexible Working Practices	£4 minimum for about 10% of staff, equivalent to 50p a week for all	0.3%	8.2%
<u>Also mentioned for discussion by NWC in return for Flexible Shifts</u>			
5. Inducement to accept cashless pay	£50	0.7%	8.9%
6. Possible 1-hour reduction in the working week w.e.f. 1.4.84	?£1 a week	0.7%	9.6%

JOHN VEREKER



10 DOWNING STREET

File DA 12

cc John Vecker

From the Private Secretary

8 February 1983

2

The Water Workers' Dispute

The Prime Minister held a further meeting at 0830 this morning to discuss the water workers' strike. Those present were the Home Secretary, the Secretaries of State for Defence, Employment, Scotland, Wales and the Environment, Mr. Giles Shaw, Mr. Harrop, Mr. Gregson, Mr. Goodall and Mr. Ingham.

Your Secretary of State reported that about 28,500 properties were now without piped water supplies, an increase of some 2,500 on yesterday; and that the number of people boiling water as a precautionary measure was virtually unchanged at some 7½ million. Although the trade unions continued to threaten the withdrawal of emergency cover, in practice no serious difficulties had yet arisen. However, the police had now confirmed that the damage to the coal conveyor belt at the Hampton pumping station was indeed an act of sabotage, although this was not affecting the operation of the plant since coal could be delivered by lorry. Chlorine was being used in substantial quantities for water purification. Some deliveries had already been made and further replenishment of stocks would undoubtedly be necessary. This could give rise to problems, although they were not expected to prove insurmountable. There were no reports of any significant return to work by the strikers. The employers had now formally requested arbitration under the terms of agreement reached under the auspices of the Advisory, Conciliation and Arbitration Service (ACAS). They would be seeing ACAS today at noon to discuss the terms of reference for the arbitration and the membership of the arbitration panel. The trade unions continued to insist that they would not participate in arbitration because in their view meaningful negotiations had not yet taken place. This was not a tenable argument. The independent Chairman appointed by ACAS, Mr. Ian Buchanan, had assumed the role of mediator only because in his view further meaningful negotiation was impossible. It was clear that securing agreement on the terms of reference for the arbitration and on the arbitration panel would be difficult. The Government might best make no comment at this stage. The media now generally favoured arbitration and would be unlikely to support a continued refusal by the trade unions to participate in it. Finally, press reports had suggested that power station workers might take action in support of the water industry dispute. In practice the trades

/unions

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unions in the electricity supply industry had undertaken only to monitor the Electricity Boards' use of water so that management did not successfully circumvent the effects of the water industry dispute on the power stations.

In discussion it was argued on the one hand that if all the elements of the current offer to the water workers were taken into account, the offer was worth perhaps 11.3 per cent in total. On the other hand, not every employee would benefit from every element of the offer. For example, a substantial proportion of employees were already paid by bank transfer rather than in cash. Moreover, the proposed 1 hour reduction in the working week would not come into effect until April 1984. The employers' best estimate was that the offer was worth some 8 per cent over 16 months or some 6 per cent on an annual basis. Nonetheless, the offer was a high one, and there must be a considerable risk that it would be increased in some way by arbitration, unless the employers returned to a lower figure in their presentation to the arbitrator. With this in mind the employers should be encouraged to consider very carefully the question which would be put to the arbitrator. This might refer explicitly to the mediator's recommendations, so as to enable the employers to argue in their evidence to the arbitration panel for the offer which had been based on the mediator's recommendations rather than for their more recent offer. However, this might not prove possible since ACAS was required to agree terms of reference for arbitration with the two parties.

The Prime Minister, summing up the discussion, said that the employers' latest offer was generous. The Government's aim should be to avoid any further increase. It was, therefore, important that the employers should seek terms of reference for the arbitration which enabled them to revert in their evidence to their offer based on the mediator's recommendations. The Secretary of State for the Environment should discuss this with them urgently. The Government should aim to refrain from commenting today on the latest situation in the dispute; the trade unions were already under considerable pressure from the media to agree to arbitration. There was no need for Ministers to meet tomorrow (i.e. Wednesday, 9 February) unless there were to be some major development. Subject to that, the next meeting would be on Thursday 10 February.

I am sending a copy of this letter to the Private Secretaries to those Ministers present at the meeting; to John Lyon (Northern Ireland Office); to Messrs. Harrop, Goodall and Gregson; and to Richard Hatfield (Cabinet Office). I should be grateful if they would ensure that it is given the minimum necessary circulation.

David Edmonds, Esq.,
Department of the Environment.

13
 P1 type bc JV
 DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR D EDMONDS, DEPARTMENT OF THE ENVIRONMENT

THE WATER WORKERS' DISPUTE

The Prime Minister held a further meeting at 08.30 this morning to discuss the water workers' strike. Those present were the Home Secretary, the Secretaries of State for Defence, Employment, Scotland, Wales and the Environment, Mr Giles Shaw, Mr Harrop, Mr Gregson, Mr Goodall and Mr Ingham.

2. Your Secretary of State reported that about 28,500 properties were now without piped water supplies, an increase of some 2500 on yesterday; and that the number of people boiling water as a precautionary measure was virtually unchanged at some 7½ million. Although the trade unions continued to threaten the withdrawal of emergency cover, in practice no serious difficulties had yet arisen. However, the police had now confirmed that the damage to the coal conveyor belt at the Hampton pumping station was indeed an act of sabotage, although this ^{was} ~~would~~ ^{ing.} not affect the operation of the plant since coal could ~~easily~~ be delivered by lorry. Chlorine was ~~of course~~ being used in substantial quantities for water purification. Some deliveries had already been made ^{and} ~~but a~~ further replenishment of stocks would undoubtedly be necessary. This could give rise to problems, although ^{they} ~~these~~ were not expected to prove insurmountable. The employers had now formally requested arbitration under the terms of the agreement reached under the auspices of the Advisory, Conciliation and Arbitration Service (ACAS). They would be seeing ACAS today at noon to discuss the terms of reference for the arbitration and the membership of the arbitration panel. The trade unions continue ^d ~~x~~ to insist that they would

There were no reports of any significant returns to work by the strikers.

not participate in arbitration because in their view the scope for negotiations had not ^{yet taken place.} been exhausted. This was not a tenable argument. The independent Chairman appointed by ACAS, Mr Ian Buchanan, had assumed the role of mediator only because in his view further meaningful negotiation was impossible. ^{It was clear that sewing} Getting agreement on the terms of reference for the arbitration and on the arbitration panel would ^{be difficult.} clearly be tricky. ^{might best} It would probably be best for ^{The} Government to make no comment at this stage. The news media now generally favoured arbitration and would be unlikely to support a continued refusal by the trade unions to participate in it. Finally, press reports had suggested that power station workers might take action in support of the water industry dispute. In practice the ^{in the} electricity supply industry trades unions had undertaken only to monitor the Electricity Boards' use of water ^{so} to ensure that management did not successfully circumvent the effects of the water industry dispute on the power stations. ~~There were signs that the aim of the trade union leaders was to contain the situation, but clearly it would need to be watched carefully.~~

3. ~~The following were the main points made in discussion~~

3. It was argued on the one hand that if all the elements of the current offer to the water workers were taken into account, the offer was worth perhaps 11.3 per cent in total. On the other hand, ~~the point was made that~~ not every employee would benefit from every element of the offer. For example, a substantial proportion of employees were already paid by bank transfer rather than in cash. Moreover, the proposed 1 hour reduction in the working week would not come into effect until

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and there must be a considerable
wish that it

April 1984. The employers' best estimate was that the offer was worth some 8 per cent over 16 months or some 6 per cent on an annual basis. ~~More the less, that was still a generous offer, which would probably be increased in some way by arbitration unless some means could be found to prevent this happening. With this in mind~~ the employers should be encouraged to consider very carefully the terms of reference for the arbitration. ~~It would be preferable if these were to refer explicitly to the mediator's recommendations, since this would enable the employers to argue in their evidence to the arbitration panel for the offer which had been based on the mediator's recommendations rather than for their more recent offer. However, this might not prove possible since ACAS was required to agree terms of reference for arbitration with the two parties.~~ ^{question which would be put to the arbitrator} ^{This might refer} ^{so as to enable} ^{would thus be enabled}

4. The Prime Minister, summing up the discussion, said that the employers' latest offer was ~~a~~ generous ~~one~~. ^{The government's aim should be to avoid any further increase} ~~It would be regrettable if arbitration were to lead to any significant increase in it.~~ It was, therefore, important that the employers should seek terms of reference for the arbitration which enabled them to revert in their evidence to their offer based on the mediator's recommendations. The Secretary of State for the Environment should discuss this with them urgently. ~~It would probably be best for the Government to~~ ^{should aim to} refrain from commenting today on the latest situation in the dispute; the trade unions were already under considerable pressure from the news media to agree to arbitration. There was no need for Ministers to meet tomorrow (ie. Wednesday, 9 February) unless there were to be some major development. Subject to that, the next meeting would be on Thursday, 10 February.

WATER STRIKE - PRESS DIGEST

Summary

- Picture a little uglier with power workers unions threatening electricity disruption if efforts made to circumvent effects of water strike.
- Confusion over whether arbitration will work and whether unions are entitled to reject it.
- Emergency cover to be withdrawn from 4m in South; sabotage alleged at Hampton water station on Thames.
- Leading articles all over shop-pour scorn on all concerned (Mail); back strikers (D/Star); attack strikers (Express).

Detail

D/Star: Page 2: Britain faces threat of blackout on top of water disruption because powerworkers will black alternative water sources to power stations. Chapple says they are not prepared to see their pay claim depressed.

Sun: Page 2: Chapple in water alert. Water employers make formal request for arbitration.

Mirror: Page 2: Power men step up crisis. The unidentified power station already shut by contaminated water. Little chance of arbitration with unions refusing to co-operate; white collar workers being bribed or threatened to do strikers' work.

Express: Page 2: Strike puts 4m more in peril - emergency cover to be withdrawn in Southern England - Kent, Sussex, Hampshire and Isle of Wight.

Mail: Page 2: Power threat in water dispute - strike takes dramatic turn for the worse. Growing Government unhappiness at way talks handled. Police called in to investigate sabotage - slashing of conveyor belt - at Hampton, London. White collar workers there threatened. Shop stewards stop volunteers taking water to scores of pensioners in Winchelsea.

Telegraph: Page 2: Arbitration move hardens water strike. Lowry expected to consult unions on employers' request today but unions feel chances of negotiated settlement have not been exhausted; in another story the Telegraph reports suspected sabotage at Hampton. Flying pickets stop 24 men going back to work at Godalming.

Guardian: Front Page: Unions reject water mediation demand. Unions in power industry say their objective is to prevent CEGB from frustrating water strike. CBI continued to attack strikers yesterday - Campbell Fraser in Dundee.

Times: Front page lead: Power unions ready to enter water dispute. Arbitration in water dispute appears unlikely because ACAS rules prohibit it unless it has consent of all parties.

Two power station units taken out because of lack of clean water; in a further dozen water being drawn from artesian wells. In others water being recirculated. Chapple warns against disciplining powermen who refuse to co-operate in measures to circumvent water strike.

FT: Front Page: Power workers may back water strikers. 4 power unions set up procedures to monitor use of water in power stations. ACAS believes procedure agreement obliges unions to go to arbitration if employers ask for it.

On the inside page it says unions report confusion and anger as strike enters third week; it then goes on to set out the employers' proposals in detail and says they back unions' view that they are worth only 50p a week on average and employers' tantalising prospect of much larger earnings for possibly only a few if strike is called off.

Comment:

D/Star: Employers, backed by Government, guilty of cruel con trick. Unions went to bargaining table in good faith. Not first time Government and unions made a totally unhelpful contribution. Time we got down to serious talks.

Express: Routine procedure and predictable for waterworkers to threaten tougher action now talks have broken down. Technique of threatening to make life unbearable may have worked once but not today. Public no longer impressed. And scant public sympathy for unions with 3m unemployed. Employers not blameless and a period of silence from the Water Council would be welcome. But for workers "gimme or else" days are over.

Mail: Money water war is over. Nobody comes out of bargaining pantomime well. Union leaders from beginning have irresponsibly raised expectations. Government intervention has been clumsy. National Water Council less than consistent. But one obvious way out - binding arbitration. While unions are being cajoled into accepting best thing Ministers and Water Council can do is keep quiet. Dispute being prolonged by posturing ineptitude of all concerned.

B. INGHAM
8 February 1983

WATER DISPUTE - REGIONAL PRESENTATION

Yet again the North West, where Mr Giles Shaw was active on Friday, is virtually the only region where employers are consistently active.

Little evidence of any serious deterioration in the supply position.

Some evidence of desire for a return to work in Sussex.

Below are extracts from regional reports:

North East

Thousands of pupils have been told to stay away from North East schools today because of water and heating breakdowns. A further 131 homes in the region were cut off yesterday (Sunday) as the freezing weather caused more burst water mains.

A spokesman for the NWA said people in Newcastle and Northumberland were unlikely to be advised to boil water at least until the end of this week.

Yorkshire and Humberside

Appears to have been little further deterioration in the effects of the strike on either domestic or industrial users over the weekend.

Saturday's Yorkshire Post feared that a £5 - £10 productivity deal was unlikely to be genuine and should be carefully scrutinised. Same leader felt that the public would not expect the Government to stand by for very much longer without calling in the troops.

Yorkshire Post and Sheffield Morning Telegraph report the breakdown of talks last night - emphasising the unions' bitterness over the "50p offer".

Local radio included interviews, this morning, with regional union leaders in which they claimed to have been 'conned and hoodwinked' by the employers.

East

Little evidence of hardship in this region as a result of the water strike. East Anglian Daily Times quotes an Anglian Water Authority spokesman as saying that many of its four million consumers were becoming complacent. Consumption dropped by ten per cent in the first week of the dispute, but economy measures were being abandoned.

Other main papers in the region give 'parochial' coverage.

Southend Evening Echo features the general manager of Essex Water Company in a 'pro-management' story on how he is coping with all but twenty of his 490 workers on strike.

Midlands

A Severn-Trent spokesman accused the union leader of trying to frighten the people of Birmingham - especially the old and the sick.

The weekend papers were full of optimism that the strike was all over bar the shouting.

London and South East

The Evening Argus (Brighton) reported on Saturday that 15 workers in the Lewes area have asked water chiefs for assurances that they will not be sacked if they return to work and lose their union cards. They have asked for a meeting with the Southern Water Authority area manager today (Monday). The paper says that at least 10 sewerage workers are strike-breaking in Sussex and another 30 say they want to return to work as soon as possible.

Newspapers in the South East are beginning to carry letter pages devoted to the dispute. Those monitored so far opinions in favour of the employers' position outnumber those expressing support for the strikers.

Kent Messenger (February 4) comments "By and Large, people are fed up with the persistently cynical attitude of trade union leaders who exploit every dispute for political gain."

South West

Western Daily Press reports the case of an engineering contractor from Bridgwater who says he is on the water unions' "hit list". Mr Arthur Duckett turned out to repair a breach in the sea wall at Burnham but claims he was later told that he has been "blacked" by the union for his action.

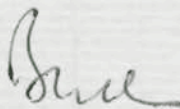
North East

Giles Shaw was on Radio Manchester and Piccadilly Radio during his visit to Manchester on Friday and was reported in Manchester Evening News. "Waterworkers should go back to work and accept the 7.3% pay offer - it was the best they could get," he said.

Chairman of NW Water Authority was on Piccadilly Radio on Friday evening talking about the general situation and saying that the coming productivity talks would not offer anything greatly different to offers already made. NWWA spokesmen emphasised there was no worry about the taps running dry "for a long time yet".

Several Evenings over the weekend report a NUPE regional officer saying there is no hope of NW unions accepting a productivity deal, they want an increase in basic pay - no scope for increased productivity.

I am copying to the Home Secretary and Secretary of State for the Environment.



B. INGHAM

7 February 1983

Prime Minister

Please see X.

MUS 7/2

PRIME MINISTER

cc Mr Mount
Mr Ingham

WATER STRIKE MEETING, 8 FEBRUARY

N. Kent

- (i) Situation Report (Mr King and the Regional Secretaries of State)

Has the breakdown of negotiations affected the extent of emergency cover provided by the unions?

Is there any sign of individuals seeking to return to work?

- (ii) Negotiating Tactics and ACAS' Activity (Mr King and Mr Tebbit)

What next steps are planned by ACAS, and is the NWC clear how it should respond?

(I have been looking in more detail at the earnings effect of the various elements in the current pay offer. The figures are attached, and show that we are already in the danger zone from the point of view of affecting gas and electricity negotiations - even if the shorter working week is not conceded. I also attach an explanation of the figures used by Woodrow Wyatt in the Sunday Mirror.)

- (iii) CCU Activity (Mr Whitelaw and Mr Goodall)

Is there anything to report? (Peter Gregson is Chairing a meeting of MISC 61 after this meeting to look at options for withstanding a long strike.)

(iv) Presentation (Mr Ingham)

Who is being blamed for the breakdown?

Are we clear on the line to be taken with the
Lobby and at Question Time?

Finally, you may want to ask your colleagues whether they think it necessary to meet every morning. The CCU is meeting daily at Official level, and at Ministerial level every few days; and you get a separate press briefing in preparation for Question Time on Tuesdays and Thursdays. You may feel that meetings on Monday, Wednesday and Friday would be sufficient.

A handwritten signature, possibly 'J. Ingham', consisting of a large vertical stroke and a smaller loop at the bottom.

7 February 1983

EARNINGS EFFECT OF WATER WORKERS' PAY OFFER

Pay rises are measured by the Department of Employment (and appear in the New Earnings Survey) in terms of their effect on average earnings over 12 months. So an offer covering 16 months is not reduced proportionately. The various elements in the current (6 February) offer to the water workers are as follows:

	<u>Value</u>	<u>Average Earnings Effect</u>	<u>Cumulative Av. Earnings Effect</u>
<u>Mediator's Report (23 January)</u>			
1. Increase in Basic Rates	7.3% over 16 months	7.3%	7.3%
2. Long Service Increments for those with over 5 years' service	5.2p per hour for those affected	0.5%	7.8%
<u>ACAS Negotiations (5 February)</u>			
3. Improvements in the Water Industry Productivity Payments Scheme (WIPPS)	86p a week for 12-18,000, equivalent to 50p a week for all	0.3%	8.1%
4. "Len Hill's £5-10 a week" for the 10-15% who work weekends	Probably nil because of countervailing savings	--	8.1%

Also mentioned for Discussion by NWC in return for Flexible Shifts

5. Inducement to accept cashless pay	£50	0.7%	8.8%
6. Possible 1 hour reduction in the working week	2.5%	2.5%	11.3%

Appl →

WOODROW WYATT'S FIGURES (SUNDAY MIRROR, 6 FEBRUARY)

Woodrow Wyatt said

"A 7.3 per cent rise over sixteen months is available to the manual water workers. It would give them gross average weekly earnings of £154.

This would compare with £160.50 for manual gas workers and £154.50 for electricity workers."

These gas and electricity figures are to be found in Table 4 of Part A of the 1982 New Earnings Survey. But -

(i) The NES describes the position at 1 April 1982, when the 1982 gas and electricity settlements were not known; the gas and electricity figures are therefore for the previous pay round;

(ii) The £154 a week for water workers is derived by adding 7.3% on to the £143.5 that appears in the NES: it is therefore for the subsequent pay round.

So the figures are two pay rounds apart. Put on a comparable basis, before this pay round begun, the figures are:

Gas	£173
Electricity	£166
Water	£143.5

The water figure in Table 4 of the NES is for all full time male manual workers: it includes some craftsmen and that is why it is higher than the £136.90 a week for all non-craftsmen, ie those on strike.



LOCAL GOV.

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10 DOWNING STREET

From the Private Secretary

7 February 1983

The Prime Minister held a meeting at 0830 this morning to discuss the water workers' strike. Besides your Secretary of State and Mr. Shaw there were present the Home Secretary, the Secretaries of State for Defence, Employment and Wales, Mr. Mackay, (Parliamentary Under-Secretary of State for Scotland), Mr. Harrop, Mr. Gregson, Mr. Goodall and Bernard Ingham.

It was reported that the overall position remained fairly stable. There were now some 25,000 properties without piped water and about 7.5 million people boiling water as a precaution. There had been some reconnections in a number of places and it remained the case that the attitude of the strikers towards emergency cover differed widely across the country. There was some evidence of the unions arguing that it would be legitimate to deprive industry of water in order to maintain domestic supplies and thus safeguard the health of the highest proportion of the community; such arguments were incompatible with the water industry national agreement. In many places water supplies and sewerage services were being maintained under unpublicised local arrangements between management and workforce. The Scottish water unions had decided, at their meeting on 4 February, to join the strike if and when requested to do so by English and Welsh union leaders. Arrangements were in hand to keep supplies of chlorine available at water treatment works in order to contain the increase in the numbers on precautionary boiling.

Negotiation at ACAS on 6 February had broken down after 12 hours. The employers had now formally asked for arbitration (as provided for in the water industry's National Joint Industrial Council written constitution and as featured specifically in the agreement signed by both sides on 21 January which led to the appointment of the mediator) because negotiations on the basis of clause 8 of the mediator's recommendations had been unsuccessful. The unions were resisting arbitration. They had claimed that the £5-10 per week mentioned by the employers' chief negotiator on BBC radio on 3 February had been grossly misleading, because it would apply to only a very small number of manual workers (in fact, 10-15 per cent) and that the average value of the employers' most recent offer was only about 50 pence per week. The unions were threatening to step up their action and to be less co-operative in future about maintaining emergency cover. A possible complication arose from the fact that annual pay negotiations for the craftsmen in the water industry were due to open on

/8 February.

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8 February. The craftsmen would receive the same offer as the manual workers and it was expected they would let the offer lie on the table until the manuals' dispute was settled.

It was too early to expect signs of a substantial drift back to work. Meanwhile any assurance by the employers to those workers returning to work that their jobs would not thereby be in jeopardy would best continue to be given, unpublicised, on a local basis. The employers should also consider what tactics would be open to them if the unions persisted in their resistance to arbitration and refusal to call off the strike. A ballot of the workforce and abrogation of the closed shop agreement - which had already been broken by the unions - were two possibilities. Nothing should be done to prejudice continuation of the co-operation currently being shown by management and supervisory personnel to maintain supplies and services.

Whilst ACAS officials were working on the employers' formal request for arbitration it would be best for Government and employers' spokesmen to adopt a low profile and concentrate on the unions' refusal to go to arbitration, and on highlighting what manual workers were losing by not returning to work on the pay offer already made. In these circumstances there would be no advantage in your Secretary of State making a statement in the House this afternoon (unless in answer to a private notice question).

Summing up the discussion the Prime Minister said that it would now be necessary to wait and see what would come out of ACAS' latest moves. It was to be hoped that the employers would not offer bogus productivity agreements and other artificial devices designed to boost the existing offer. A low-key approach would be desirable on publicity for the next 24 hours. The Secretary of State for the Environment would not make a statement in the House today. The line for both Government spokesmen and employers to take should remain based on the mediator's recommendations; the generosity of the subsequent offer of 7.3 per cent over 16 months; the earnings losses of the strikers; the fact that consumers and not the government would pick up the bill for an excessive pay increase in the industry; and the unreasonableness of the unions' strike action, especially in view of their agreement to go to arbitration. The group would meet again on 8 February at 0830.

I am copying this letter to the Private Secretaries of those Ministers present and to Muir Russell (Scottish Office) and John Lyon (Northern Ireland Office) and to Messrs Harrop, Gregson and Goodall and to Richard Hatfield (Cabinet Office).

D. A. Edmonds, Esq.,
Department of the Environment.

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9

DRAFT LETTER TO MR EDMONDS FROM MR SCHOLAR

The Prime Minister held a meeting at ⁰⁸³⁰ ~~0850~~ this morning to discuss the water workers' strike. Besides your Secretary of State and Mr Shaw there were present the Home Secretary, the Secretaries of State for Defence, Employment and Wales, Mr Mackay, (Parliamentary Under-Secretary of State for Scotland), Mr Harrop, Mr Gregson, Mr Goodall and Bernard Ingham.

It was reported that the overall position remained fairly stable. There were now some 25,000 properties without piped water and about 7.5 million people boiling water as a precaution. There had been some reconnections in a number of places and it remained the case that the attitude of the strikers towards emergency cover differed widely across the country. There was some evidence of the unions arguing that it would be legitimate to deprive industry of water in order to maintain domestic supplies and thus safeguard the health of the highest proportion of the community; such arguments were ^{incompatible} ~~incomparable~~ with the water industry's national agreement. In many places water supplies and sewerage services were being ^{unpublished} maintained under ^{between management & workforce} local arrangements ~~which did not feature in the media.~~ The Scottish water unions had decided, at their meeting on 4 February, to join the strike if and when requested to do so by English and Welsh union leaders. Arrangements were in hand to keep supplies of chlorine available at water treatment works ^{in order to contain the increase in} ~~which should prevent the numbers on~~ precautionary boiling ^{perhaps also to reduce them} ~~increasing greatly and might even result in their~~ reduction.

SECRET

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It was regrettable that the middle following the comments about £5-10 a week on BBC radio had ^{appeared to give} ~~given~~ the unions a publicity advantage. To regain the position it would be necessary for it to be understood that only a limited number of manual workers (perhaps 10-15 per cent) were in a position to change their working practices so as to benefit from the sums mentioned. It should be made equally clear that averaging out over the whole workforce any extra earnings, arising from the opportunities mentioned in the mediator's recommendations, ^{as the unions had done} ~~would also~~ be grossly misleading. Care ~~as the unions had done~~ should be taken to present issues to the public simply and accurately.

SECRET

Negotiation at ACAS on 6 February had broken down after 12 hours. The employers had now formally asked for arbitration (as provided for in the water industry's National Joint Industrial Council^{written} constitution and as featured specifically in the agreement signed by both sides on 21 January ~~and~~ which led to the appointment of the mediator) ^{because} ~~on the grounds~~ ~~that~~ negotiations on the basis of clause 8 of the mediator's recommendations had been unsuccessful. The unions ^{were resisting} ~~had rejected~~ arbitration ~~on the grounds~~ that the employers had ~~not~~ negotiated in good faith. They had claimed that the £5-10 per week mentioned by the employers' chief negotiator on BBC radio on 3 February had been grossly misleading, ^{because it} (would apply to only a very small number of manual workers ^(in fact, 10-15 percent) and that the average value of the employers' most recent offer was only about 50 pence per week. The unions were threatening to step up their action and to be less cooperative in future about maintaining emergency cover. A possible complication arose from the fact that annual pay negotiations for the craftsmen in the water industry were due to open on 8 February. The craftsmen would receive the same offer as the manual workers and it was expected they would let the offer lie on the table until the manuals' dispute was settled.

*



STEP →

It was too early to expect signs of a substantial drift back to work, ~~but if this did eventually take place the employers would need to consider carefully whether the degree to which the unions might have ignored that part of the closed shop agreement, obliging them to make every effort to avoid harm to the health of the consumer, would justify ^{the employer} them ~~in turn~~ saying publicly that the agreement no longer prejudiced the job security of those who returned to work before the strike was called off.~~

SECRET

SECRET

~~unnecessary hardship to everyone affected by it,~~ ^{especially,} as, under their agreements, ~~arbitration was the next step in the settlement process, and the only~~
~~obstacle~~ ^{to this} ~~appeared to be the unions' unwillingness to comply with their~~
~~agreements; and,~~ ^{highlight} ~~the fact that manual workers were losing large amounts~~
~~of money by remaining on strike. The group would meet again on~~
~~8 February at 8.30 am.~~ ~~as the Civil Servants' Unit meeting arranged for~~
~~4.30pm that day would be cancelled and was to take place.~~

I am copying this letter to the private secretaries of those Ministers
 present, Messrs Harrop, Gregson and Goodall and to Richard Hatfield
 (Cabinet Office).

15
 SJS
 SJS
 SJS
 SJS

and to Miss Russell (SO) and
 John Lynn (NIO); and to

SECRET

F.W. COTTAM

B



9/2

10 DOWNING STREET

From the Private Secretary

4 February 1983

I attach a copy of a letter the Prime Minister has received from Mr. F.W. Cottam of the GMWU. Mr. Cottam finds an inconsistency between the Prime Minister's remarks about the mediator in the water industry dispute, and Lord Trenchard's recent letter to Mr. Cottam, in which he rejected a mediator's recommendation in respect of a dispute in the Royal Dockyards.

I would be grateful if you would let me have a draft reply for the Prime Minister's signature by Wednesday 9 February.

I am sending a copy of this letter to David Edmonds (DOE) and Richard Mottram (Ministry of Defence).

M. C. SCHOLAR

Barnaby Shaw, Esq.,
Department of Employment.

la



10 DOWNING STREET

From the Private Secretary

4 February 1983

I am writing on behalf of the Prime Minister to thank you for your letter of 31 January. This is receiving attention and a reply will be sent to you as soon as possible.

M. C. SCHOLAR

F.W. Cottam, Esq.

A handwritten signature in the bottom right corner of the page, appearing to be 'F.W. Cottam'.

MR SCHOLAR

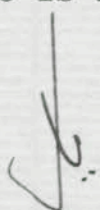
cc Mr Ingham

PRIME MINISTER'S MEETINGS ON THE WATER STRIKE

ms 4/2

It may be that over the weekend the water strike will be lifted. But we must plan on the assumption that it will not be. I cannot at this stage offer a useful brief for the meeting planned for 9.30 am on Monday, but there is one question which I think should be decided if it looked as though the strike will continue: how frequently we need to meet.

The Ministerial level CCU will be meeting at 9.30 am on Tuesday, and the Prime Minister does of course have separate press briefings in preparation for Question Time first thing on Tuesdays and Thursdays. It would seem to me sensible (and those to whom I have spoken agree) to limit the Prime Minister's meetings on the water strike to Mondays, Wednesdays and Fridays, unless there is a development which requires specific attention.


4 February 1983

PA
~~Prime Minister~~
I thought you
wanted, for the time being,
to meet every day?

Mufaxed to No. 10

1.45 pm

A.2.83.

TOM KING ON WATER WORKERS

Water workers have not been made a new offer - it has been on the table since Tuesday, but has only just been fleshed out. Urged to go back and negotiate. The Conciliation Service has been in touch with the unions and employers but a spokesman says no formal meetings have yet been arranged.

These discussions which I hope will take place very soon are going to be about proposals made by the Mediator the Sunday before last, and I am very keen to see them go ahead, because I think the recommendation of the Mediator is a fair offer. It is going to give the water workers another £10 a week and some could do significantly better out of productivity earnings.

Mr. King denied today's stories that there had been a major change with a massive new offer. He said that the employers had always made clear the opportunities for higher earnings through genuine productivity.

He accepted that this might be the first time that a value - £5-£10 - had been put publicly on the productivity agreement, though he thought that the value might have been broadly known by the unions as a result of informal discussions ten days ago.

When Mr. King was asked why he was in the studio, he said:

"Because I think it is very important that this dispute is ended at the earliest possible time I think it is dangerous if there are misrepresentations, as there have been, of the situation at the moment, and it is very important that everyone makes the situation clear.

break out

MR INGHAM

✓

cc Mr Scholar ✓
Miss Christopherson
Mr Mount

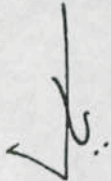
WATER STRIKE

The Ministerial CCU this morning devoted almost all its time to a discussion of the presentational difficulty about which we spoke first thing this morning. All those present agreed that Len Hill's "£5-10 increase" was being presented in a very damaging fashion, indicating that the Government and the National Water Council were giving in; and that the kind of figures that were being bandied around for the eventual pay increase would have to be knocked down. Mr King started to argue that any intervention at this stage might prejudice the negotiations which were expected to take place over the next few days, ^{but} he found no support. As we agreed, I said that Mr King and the NWC should agree a line making it absolutely clear what the terms of any further negotiations were, and should get this out without delay. The Home Secretary asked if we could do this with the Lobby; I said that we could, but it was more important to get Mr King on radio as soon as possible. It was agreed that Mr King would do World At One today (and he will also be available for World This Weekend on Sunday).

The outlook for the negotiations is quite promising. The unions know perfectly well that the £5-10 has a number of qualifications attached to it, and Len Hill explained in some detail last night that the opportunities for extra payments arose only where changes in working practices were needed. The NWC will explain to the unions today that the further discussions are taking place under paragraph 8 of the mediator's report, and on the understanding that the rest of the mediator's recommendations are accepted. They will not agree to further negotiations without preconditions. Peter Harrop believes that the negotiations may not reach a critical point until Sunday. Meanwhile the physical

effects of the strike are broadly unchanged, and it is not yet clear whether the threats to remove emergency cover are real.

After the meeting, the Home Secretary, Mr King, Peter Harrop, Mr King's Director of Information and I had a session at my request to agree the line that we would take with the Lobby, consistent with what Mr King would say on World At One. We shall of course have to follow carefully what Mr King says at lunchtime; but we agreed that the position which could be used publicly is as in the attached note.

A handwritten signature or set of initials, possibly 'J.S.', written in dark ink. It consists of a vertical line on the left, a curved line on the right, and a small dot at the bottom right.

4 February 1983

The negotiations will be within the terms of the mediator's report, which was put to the unions on 23 January. This means that:

(i) The unions must accept the report as a whole, notably the recommendation of a 7.3% increase over a 16 month period, and the rejection of an increase to restore the relative position of water workers in the earnings league, or to bring them into the upper-quartile of manual workers' national earnings;

(ii) Payments for improved productivity will be available only where administrative efficiencies or changes in working practices are required and agreed. Such changes would have to be self-financing, and, as Mr Hill said in a BBC Radio interview yesterday, the new increase would not be available for everybody;

(iii) There is no question of an increase in the basic offer.

local spot

NEWS FROM

Thames Water

Mr. Scholar

Thames Water Authority, Head Office, New River Head, Rosebery Avenue
London EC1R 4TP. Telephone: 01-837 3300

SITUATION REPORT No 9 AT 16.30 HOURS THURSDAY 3 FEBRUARY

Day 11, and no significant operational incidents have been reported.

Today's totals are :

Mains failures remaining unrepaired 232

(Please note that the figure given in Report No 8 was inconsistent with the figures given in this report and in all previous reports. Report No 8 quoted the mains unrepaired in the Authority's areas only, and did not include the Water Company figures. All other reports give total figures).

Properties without mains water - Authority areas	2396
Company areas	2919
	<u>5315</u>

Water treatment plants are in general giving satisfactory performance. Minor sewage treatment plants (there are 450 plants in the Thames region) are now starting to deteriorate slightly in terms of effluent quality. While there is still no water resource problem, a limited number of fish kills on tributaries may be experienced during the next few days.

The quality of water in supply remains satisfactory.

Despite many statements being made to the media about withdrawal by the unions of emergency cover, no instance has yet been recorded of refusal of cover for a genuine emergency.

Next report Friday 4 February

REPORT ISSUED BY PUBLIC RELATIONS

SUBJECT

SECRET

MfJ
Local Govt



10 DOWNING STREET

From the Private Secretary

3 February 1983

Dear David,

Water Workers' Dispute

The Prime Minister held a meeting at 0830 this morning to discuss the water workers' strike. Besides your Secretary of State and Mr. Shaw, there were present the Home Secretary, the Secretaries of State for Defence, Employment, Scotland and Wales, Mr. Harrop, Mr. Gregson, Mr. Goodall and Bernard Ingham.

The following were the main points made in discussion:-

- i) the effects of the strike in England had not changed significantly over the previous 24 hours and no major deterioration appeared in prospect. Some 21-22,000 properties were now without piped water supplies and approximately 6 million people were being advised to boil drinking water as a precaution. In some areas sewage was receiving lower quality treatment than normal before being discharged into rivers and water courses, although this was not causing serious pollution or health hazards. The situation in Wales had improved substantially; by this evening it was expected that only some 5,000 properties would remain without piped water supplies. In Scotland the trades unions would be meeting probably tomorrow to consider whether to call for an all-out strike. The situation was very finely balanced. It seemed most likely that there would be a strike only in response to some major development in England and Wales, such as the deployment of Servicemen;
- ii) no further negotiations were immediately in prospect; the discussions yesterday between the trades unions and the Advisory, Conciliation and Arbitration Services (ACAS) had proved inconclusive. The trades unions appeared to be undecided about their next moves; the employers continued to emphasise their willingness to negotiate on the basis of paragraph 8 of the mediator's report. However, such a pause in the negotiations would probably benefit the employers, provided that they could succeed in getting over publicly that it was for the unions, not the employers, to make the next move.

SECRET

/iii)

- iii) although publicity for the employers' case had improved it continued to be very unsatisfactory. It was too often the case that no spokesman for the employers was immediately available to reply to effective public statements by the trades unions. This was partly because of defects in the employers' publicity arrangements, which the Secretary of State for the Environment was pressing them to rectify; and partly because the employers were still not receiving adequate coverage on radio and television news programmes, about which they ought now to protest at the highest level. The Secretary of State for the Environment planned to make a statement that day to the House of Commons in which he would seek to put the employers' position positively and would emphasise that it was unreasonable for the trades unions to refuse both to negotiate and to accept arbitration. Effective publicity over the weekend was vital; briefing was being circulated to Government backbenchers; and the Ministers most directly concerned should make themselves available for radio and television interviews;
- iv) some strikers were reported as having returned to work in the Portsmouth area. The employers had made clear to them that their position would be protected, despite the industry's closed shop agreement. However, the employers were most reluctant to make a major public statement on the closed shop agreement, since this could lead to the withdrawal of the emergency cover arrangements, which the employers believed were operating very satisfactorily despite statements to the contrary by the trade union leadership;
- v) it was unacceptable that those whose piped water supplies had been cut off for some time should not receive a rebate of their water rates. The payment of some form of rebate should therefore be examined urgently, although it was argued that doing so could create an awkward precedent;
- vi) it would be useful for the future if a record could be kept of the number of staff involved in maintaining supplies during the strike.

The Prime Minister, summing up the discussion, said that the effective presentation of the employers' case remained of vital importance. Provided that could be achieved - and the Government should offer the employers every assistance in this - the present pause in the negotiations would probably work to the employers' advantage. It would clearly not be helpful at this stage for there to be public discussion about the future of the industry's closed shop agreement. She would therefore deal with any questions on this topic by referring to arrangements being made locally to protect the jobs of strikers who returned to work. The Secretary of State for the Environment should consider further the payment of some form of rebate to those whose piped water supplies had been cut off for some time; and should also arrange for a record to be kept of the numbers of staff involved in maintaining supplies

SECRET

-3-

during the strike. Ministers would meet again at 0930 on Monday, 7 February, and the Civil Contingencies Unit would be meeting at Ministerial level on the following day.

I am sending copies of this letter to the Private Secretaries to those Ministers present at the meeting; to John Lyon (Northern Ireland Office); to Messrs. Harrop, Goodall and Gregson; and to Richard Hatfield (Cabinet Office). I should be grateful if they would ensure that it is given the minimum necessary circulation.

Yours sincerely,

Michael Scholar

David Edmonds Esq
Department of the Environment.

SECRET

SECRET

DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR EDMONDS, DOE

Mr. S. Scholar
Membership Agreement
Goodall agreed
that 9 shd.
let you have this
direct. imlay
3/2

WATER WORKERS' DISPUTE

The Prime Minister held a meeting at 0830 this morning to discuss the water workers' strike. Besides your Secretary of State and Mr Shaw, there were present the Home Secretary the Secretaries of State for Defence, Employment, Scotland and Wales, Mr Harrop, Mr Gregson, Mr Goodall and Bernard Ingham.

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SECRET

SECRET

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SECRET

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- (iv) some strikers were reported as having returned to work in the Portsmouth area. The employers had made clear to them that their position would be protected, despite the industry's closed shop agreement. However, the employers were most reluctant to make a major public statement on the closed shop agreement, since this could lead to the withdrawal of the emergency cover arrangements, which the employers believed were operating very satisfactorily despite statements to the contrary by the trade union leadership;
- (v) it was unacceptable that those whose piped water supplies had been cut off for some time should not receive a rebate of their water rates. The payment of ^{some form of} ~~rebate~~ ^{rebate} should therefore be examined urgently, ^{argued} ~~although it was recognised that doing so could create an awkward precedent;~~
- (vi) it ^{would} ~~might~~ be useful ^{for} ~~in~~ the future if a record could be kept of the number of staff involved in maintaining supplies during the strike.

3. The Prime Minister, summing up the discussion, said that the effective presentation of the employers' case remained of vital importance. Provided that could be achieved - and the Government should offer the employers every assistance in this - the present pause in the negotiations would probably work to the employers' advantage.

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4. I am sending copies of this letter to the private secretaries to those Ministers present at the meeting; to John Lyon (Northern Ireland Office); to Messrs. Harrop, Goodall and Gregson; and to Richard Hatfield (Cabinet Office). I should be grateful if they would ensure that it is given the minimum necessary circulation.

SECRET



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 February 1983

Dear Michael

WATER INDUSTRY PAY DISPUTE - STATEMENT TO THE HOUSE OF COMMONS
3 FEBRUARY 1983

/ I attach a copy of the statement my Secretary of State proposes to make to the House this afternoon. It is, of course, still subject to minor drafting changes.

I am copying this to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Leader of the House of Commons, the Paymaster General, the Secretaries of state for Employment, Scotland, Wales and to the Chief Press Secretary at No 10.

for em
DAE

D A EDMONDS
Private Secretary

WATER INDUSTRY PAY DISPUTE - STATEMENT TO HOUSE OF COMMONS - 1.2.83

With permission, Mr Speaker, I would like to make a further statement to the House about the water industry dispute.

Since my statement on Tuesday there has been a further increase in the number of people advised to boil water as a precaution.

This is now 6½ million people.

Approximately 23,000 properties are now without any water supply but arrangements ^{have or} are being made for alternative supplies.

There has been some further reconnection of properties to the main supply.

The quality of effluent from more sewage treatment works has deteriorated but there has been no serious effect on rivers and no significant pollution incidents have been reported.

In my previous statement on Tuesday I informed the House that there were further discussions ^{between} ACAS and ^{the} employers and ^{that} ACAS were to see the Unions in the evening.

Following these talks the employers confirmed that they were ready and willing to have immediate negotiations about higher earnings in relation to improved productivity under the terms recommended by the mediator in paragraph 8 of his Report.

I understand the Unions have not ^{yet} responded to this proposal and that industrial action therefore is continuing.

I have to say to the House that I believe there is no longer any justification for the continuation of this industrial action which is causing such inconvenience and distress to those affected by it.

I advised the House on Tuesday that there are 2 options available to the Unions to end this dispute.

They can either accept the offer of employers to negotiate as a matter of urgency on the issue of higher earnings for productivity as recommended by the mediator.

If they are unable to accept this the agreements that have been reached ^{through ACAS} in advance of the negotiations by ACAS must be honoured and the terms of the national agreement requiring arbitration should be followed.

In this way it is possible for the industry to resume its ^{full} responsibilities and services to the public and for the

water workers themselves no longer ^{to suffer a serious loss of earnings.}

This must be the sensible course to pursue now and I trust that the Union leaders recognise this and instruct a return to work and an urgent start to the negotiations which have been offered.

US Budget is
planned to
decline

£ 2076 this

£ 1896 next

Prime Minister

W
3/2

PRIME MINISTER

cc Mr Ingham
Mr Mount

MR KING'S STATEMENT ON THE WATER STRIKE

Mr King was received by a much quieter House than on Tuesday. As agreed at your meeting this morning, he stressed two points: that the employers were ready to enter immediate negotiations about productivity, under the terms recommended by the mediator in paragraph 8; and that the unions should now decide whether to negotiate as a matter of urgency on that issue, or to honour the ACAS agreement and go to arbitration.

Mr Kaufman said that he welcomed this "new emphasis" by the employers and by Mr King on paragraph 8, which the Opposition had always regarded as the key. He and Mr Howell had kept in close touch with the unions, and he was now able to say that if the further £5-10 a week mentioned by Len Hill in his interview with Robin Day at lunchtime were offered to the unions, the unions were ready to negotiate immediately. (He did not make it clear whether the £5-10 would have to be unconditional.)

Mr King stressed in reply that there was nothing new in this offer. His previous statement had said exactly the same as he had said this afternoon (that is true, except that his statement on Tuesday did not specifically mention paragraph 8). He had heard the interview with Len Hill, and he recalled that Hill had been asked to give some idea of what might be the outcome of the productivity negotiations; Hill had indicated that significant increases in earnings would be available if the unions delivered increased productivity. But the unions would have to accept the mediator's report, and should resume work immediately.

The Speaker allowed only four further questions, which enabled Mr King to remind the House that strikers' lost earnings would be "substantial", and that they had already had a 54% increase in pay since 1979.

It is not yet clear whether Mr Kaufman was reflecting a new willingness on the part of the unions to enter discussions, or merely acquiescing in their tactics of getting the offer increased before productivity discussions begin. I spoke afterwards to Peter Harrop (the Second Permanent Secretary who attends your morning meetings), and his view is that this is a sign that the talks will begin again; but that there is no knowing whether they will be fruitful.

J.

3 February 1983

WATER DISPUTE - REGIONAL PRESENTATION

Today's (Thursday) return by COI contains the following main features:

- unions doing their best to scare public about water supplies and discharge of sewage;
- continuing concentration on physical effects of strike but little evidence of hardship;
- adverse union reaction to any management moves in dispute to ease operations or which might be seen as 'propaganda';
- first signs of Backbench MP activity; and
- little evidence again of Water Authority public relations beyond advice on supplies.

Extracts from the reports are as follows:-

North East

Householders in the North East are only days away from having to boil water supplies, but there is some disagreement over how long it will be before the order comes striking waterworkers say that 'safe' supplies to many parts of the North would only last for two days, but the Northumbrian Water Authority says the region has 'four or five' days left.

An NWA spokesman said the weather was in their favour now with a good flow of water in the rivers which was helping to dilute the sewage.

According to the Echo, striking waterworkers in much of the region are threatening to withdraw all emergency cover because NALGO supervisors have been working extra shifts to man equipment in treatment plants.

Yorkshire and Humberside

Main story today concerns another 400,000 consumers, mainly in the Sheffield and Barnsley areas, who have received boiling orders. The same paper highlights the row between PUSG Giles Shaw and Robert Adley MP, about the efficacy and safety of chemical additives as an alternative to boiling.

A feature in the same paper on waterworkers' pay, which includes comparisons with other groups, is generally favourable to the waterworkers case.

The Huddersfield examiner leads with the appeal to industry to cut back on demand in order to maintain domestic supplies. Large firms are being approached directly by YWA to stress the point.

East

Again there is little regional coverage of the water dispute and little evidence of hardship as a result of the strike. An AWA spokesman says "We are reasonably confident of keeping water supplies going".

An editorial in the Cambridge Evening News says that there is a "Sneaking suspicion that there is one section of the waterworkers whose claim for more pay wins more sympathy than the others. They are the sewage workers, whose occupation must be just about the most unpalatable of any that society can produce".

Peterborough Evening Telegraph is the first paper in the region to quote an MP. Mr John Major, MP for Huntingdon, is quoted "The strike is one of the most unjustified disputes of recent years. The current pay offer means a rise of £10 a week. I hope local waterworkers will give a lead to their colleagues so that this dispute may be brought to an end without open warfare on the public."

London and South East

Regional media coverage monitored so far today concentrates on practical effects of strike. Comments noted from Water Authorities confined to guidance to the public.

South West

Thrifty use of water is saving approx. 10% a day, says Wessex Water.

TGWU spokesman claims that local Severn Trent Water Authority management (whose chairman is also chairman of the National Water Council) has been told "To goad us to see how far we will go", says Western Daily Press.

Midlands

Comment from the managerial and consumer side (as opposed to the unions) is beginning to appear but by far the majority of coverage is still, naturally, operational. However: Birmingham Post, 3 February, - "Meanwhile the Severn-Trent Water Authority entered the propaganda war yesterday by listing amounts workers would have collected in their pay packets if they had accepted the employers' average 7.3% offer.

A spokesman said waterworkers' pay packets this week would have been thicker by between £6.50 and £12.41 if they had accepted the offer.

Northampton MP, Michael Morris, has launched an attack on the waterworkers' demand for more money and their claim that they do a dirty job and told the annual general meeting of Duston Ladies Conservative Club "The work they do is not particularly dangerous and unpleasant."

Burton Mail: "The waterworkers' strike is madness which will harm the old and weak and put jobs unnecessarily at risk" says Burton's MP Mr Ivan Lawrence.

North West

Most regional evenings carry NW Water Authority appeal for economies in consumption.

Unions are seeking written assurance from NWWA that management will not carry out jobs normally done by watermen.

Manchester Evening News, Liverpool Echo and others carry threat of emergency cover in region being withdrawn because of "unwarranted intervention" in dispute by management, according to a NUPE leader, who also hit out at Water Council survey because of small sample taken.

In Letters to the Editor, an old age pensioner says that when water is cut off, people should withhold their water rate as protest against watermen's selfish wage demand. A Blackpool reader says the strike is "disgusting".

I am copying to the Home Secretary and the Secretary of State for the Environment.

RP LB
B. INGHAM
2 February 1983



for
Prime Minister (2)

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

2 February 1983

The Rt Hon Tom King MP
Secretary of State for the Environment

(I wonder if
the Chancellor
is rueful about
not being on the group)
MS 3/2

Dear Tom

[Handwritten mark]

WATER MANUALS' PAY

I have been reflecting on the position reached on Water Manuals' pay.

As I understand it, the employers have made an offer of 7.3 per cent over 16 months, equivalent to 5.8 per cent over 12 months, together with an increase in service supplement worth about $\frac{1}{2}$ per cent. This offer is, of course, based on the recommendations of the ACAS-appointed mediator, and to that extent represents firm ground for the employers. But it is a high offer. At about 6 $\frac{1}{2}$ per cent on a 12 months basis, it compares with the miners' settlement, for example, at 6 $\frac{1}{2}$ per cent. And it is already well ahead of the rate of inflation.

Even a modest increase on the present offer would be damaging. There is little doubt that the gas and electricity workers would insist on a similar increase (thus making a nonsense of the water workers' efforts to catch up), and the risk that the local authority manuals might decide to try for more than their present offer is something which you fully appreciate. The pay round is already running higher than we would have wished, and pay settlements have not fallen as much as inflation. If these key settlements were to come out at a similar level to last year, our chances of getting a significantly lower outcome in the economy generally would be prejudiced.

I am therefore concerned at reports that ACAS may be pressing the employers to offer a little more, and this not as a basis for a settlement, but to get the unions to go to arbitration. Arbitration on top of the present offer (perhaps with some further enhancement) carries greater risks than the original proposal of arbitration on a 4 per cent offer.

There would seem to be two conclusions for the employers' position:

- (a) they should be very resistant to any improvements on the mediator's not ungenerous recommendations;

/(b) if

Local Govt,
Pay of S LA
Manual Workers,
Pt 2

CONFIDENTIAL



- (b) if it comes to arbitration, the mediator's recommendations should not be treated as a floor. Arbitration should be regarded as an alternative to mediation, and any offer based on mediation should be withdrawn.

Arbitration on any other basis than (b) could just raise the floor for further bargaining, and we should certainly not want to encourage that.

This would still leave room for bargaining on genuinely self-financing productivity improvements within the scope of the mediator's recommendations. That may be where the ultimate solution lies, but even in this context the employers would I believe be mistaken to offer too much too soon, while the unions appear to be in no mood to settle.

I am sure that you already have these points much in mind. Let's have a talk if any of them cause you difficulty.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretary of State for Employment, and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'Geoffrey Howe', written over a horizontal line.

GEOFFREY HOWE

2 FEB 1983
11 12 11 3 19 15 10 9 8 7 6 5 4 3 2 1

CONFIDENTIAL

Local Govt
8

SUBJECT cc Harro



10 DOWNING STREET

From the Private Secretary

2 February 1983

Dear David,

The Prime Minister held a meeting at 0830 this morning to discuss the water workers' strike. Besides your Secretary of State and Mr. Shaw, there were present the Home Secretary and the Secretaries of State for Defence, Employment, Scotland and Wales, Mr. Harrop, Mr. Gregson, Mr. Goodall and Bernard Ingham.

It was reported that the effects of the strike in England had remained relatively stable during the last 24 hours; and there were reports, as yet unconfirmed, of workers in one or two areas voting to return to work. There was a more militant attitude in Wales where storm damage affecting electricity supplies to pumping equipment had added to the difficulties. It should become clear later today whether or not the Scottish water workers would join the strike.

The Advisory Conciliation and Arbitration Service (ACAS) had held further talks with both sides but were saying that they had not put forward fresh proposals for a settlement. A union suggestion yesterday that they might be prepared to consider 6 per cent over 12 months plus urgent negotiation and a further 2 per cent in recognition of past productivity achievements was unlikely to be acceptable to the employers.

It was agreed that it would be right for the employers to stick closely to their current strong position, stressing their readiness to negotiate on the basis of paragraph 8 of the mediator's report and the opportunities it presented for sizeable - and self-financing - additional earnings, e.g. £1 a week extra for "cashless payment" and up to £5 a week extra if a 7-day week working pattern were adopted - a change which would benefit the lower paid at the expense of those workers with high earnings derived from overtime.

The objective should be to make the unions face up to the choice between the two possible courses open to them: negotiation on the basis of paragraph 8 of the mediator's report or arbitration.

Public presentation, on which the employers should be encouraged to take the lead, should emphasise the opportunities open to the unions under paragraph 8 of the mediator's report to

/ increase

increase earnings in return for increased productivity and the employers' readiness to negotiate on that basis. It would be best to allow any movement towards a return to work to gather momentum before considering how it might be exploited for publicity purposes. The employers would need to be clear about their attitude towards workers returning to work before the strike ended, and Departments should ensure - privately, if need be, at first - that there could be no question of such workers being dismissed under the closed shop agreement.

Summing up the discussion, the Prime Minister said that the next few days would be crucial. It would be important that the employers and the Government should say nothing to give the unions the impression that the offer based on the mediator's report, which was now on the table, might be increased other than through further exploration, on a self-financing basis, of paragraph 8 of the mediator's report. Meanwhile, any cases of actual withdrawal of emergency cover by the unions, e.g. in Wales, should be firmly brought home to them, so that the conflict between their undertakings and their behaviour was made plain. The Secretaries of State for the Environment and Wales should be the main Ministerial spokesmen for the next 24 hours.

I am copying this letter to the private secretaries of those Ministers present, and to Richard Hatfield (Cabinet Office), Mr. Harrop, Mr. Gregson and Mr. Goodall, and to John Lyon (Northern Ireland Office).

Yours sincerely,

Michael Scholar

David Edmonds, Esq.,
Department of the Environment.

Prime Minister

PRIME MINISTER

cc Mr Mount
Mr Ingham

WATER STRIKE MEETING, 3 FEBRUARY

These are the points you need to cover at your meeting tomorrow (I am following the agenda order which you announced today would be the regular pattern for these meetings):

- (i) Physical Effects (Mr King, and the Regional Secretaries of State)

Does the experience of recent bad weather and floods show that, contrary to expectation, there has been no increased risk to water supply - because the unions accept without question their obligation to cope with real emergencies?

- (ii) Negotiating Tactics (Mr King)

Is the NWC clear what they will say about the closed shop agreement if those returning to work are expelled from the unions?

Can we deny today's stories that water rates will not be cut for those without water? Otherwise the employers will lose some public sympathy. - especially where interruptions are lengthy.

Is it still the case that from the Government's point of view arbitration is not the best way forward unless the unions demand it?

(iii) ACAS Activity (Mr Tebbit)

Do ACAS plan any further initiatives?

(iv) CCU Activity (Mr Whitelaw)

Who is doing the further work, commissioned at your 31 January meeting with Mr King, on how to withstand a strike of up to six weeks? (You will recall that a main element in this is putting together an alternative work force, and if Mr King agrees I think Peter Gregson would accept that it is appropriate for MISC 61. They should be given a deadline to report.)

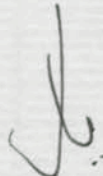
Does the CCU need to meet over the weekend? (I think not: it can always be convened at short notice if the situation deteriorates.)

(v) Presentation (Mr Ingham)

Is the media reflecting sufficiently clearly that the unions have been asked to choose between the mediator's report (including paragraph 8) and arbitration?

Are we starting to get appropriate messages across in the regions? Bernard's monitoring of the regional press so far has been discouraging.

You may want to conclude by agreeing with Mr King what he will report to Cabinet, where there are some interested Ministers - notably the Chancellor, with his responsibility for the pay round effects of any deal - who have not been attending your small group.


2 February 1983

SITUATION REPORT No 8 AT 16.30 HOURS WEDNESDAY 2 FEBRUARY

Day 10 of the strike developed in what has become a familiar mould; additional mains leaking, and additional homes without mains water.

Today's totals are :

Mains failures remaining unrepaired	137
Properties without mains water - Authority areas	2267
Company areas	2706
	<u>4973</u>
	<u>=====</u>

Treatment plants continue to operate generally satisfactorily, and there are no problems with water quality.

And now two brighter notes : firstly, we reported in Situation Report No 6 that the crews of the sludge vessels had decided to join the strike. Yesterday the crews changed (they work one week on, one week off) and this week's crews have decided to work normally. Sailings began again this afternoon.

Secondly, last night brought very high tides, and the Authority's North Thames Tidal Defences were brought into use - the first time that they have been used for genuine flood-prevention. Despite the heavy work load already being shouldered by managers and engineers, and the very unsocial hours that were required on this occasion (21.30 to 04.00), all went well.

Next report Thursday 3 February

REPORT ISSUED BY PUBLIC RELATIONS

(From mtg. notes)

ME MINISTER

WATER STRIKE - REGIONAL PRESENTATION

The COI's regional return shows negligible regional water authority activity; unions generally making the running; editorial opinion on the whole against the strike; and declining editorial interest in the strike.

Extracts from returns are set out below:

North East

Waterworkers are reported to be hitting back after the National Water Council announced the results of a poll claiming the majority of the public feel that the workers should accept the latest pay offer. According to the story, strikers in the North East took to the streets with thousands of leaflets setting out their side of the controversy. Mr Peter Gannon, spokesman for 1400 workers in the North, is quoted: "The Water Council has gone into the propaganda business so we have had to take steps to counter what they are claiming."

CBI regional director, Mr James Cran, is reported to have said: "At present the strike has had very little effect but there's no doubt about it, if water is cut off, or contaminated, there will be lay-offs of a very high order.

Yorkshire and Humberside

Still no sign of any local campaign to encourage acceptance of the pay deal, though the Yorkshire Evening Post carries an interview with the new YWA chairman in which he gently chides the waterworkers for their action and warns of the knock-on-effects of the strike for employment prospects generally.

Scarborough Evening News carries a leader critical of the industrial action and ends with a plea for a new rewards system for the industry to be coupled with a 'no-strike' agreement.

The Sheffield Morning Telegraph quotes a YWA spokesman as saying that unless demand is reduced immediately water supplies will dry up - even in hospitals.

Halifax Courier and Huddersfield Examiner report more warnings from union leaders that emergency cover will be withdrawn if management continues to perform manual tasks.

East

Again there are no Anglian Water Authority 'management' statements on the industrial dispute. Unions are quoted at length.

There is less water strike coverage in the region's main papers today (Wednesday). In Suffolk waterworkers have ignored strike leaders and have repaired two pumps to stop raw sewage from flowing into the River Gipping at Needham Market. Not so in Ipswich where untreated effluent is flowing into the River Orwell.

Southend Evening Echo quotes an Essex Water Company spokesman as saying that water supplies can be maintained indefinitely in South East Essex.

Colchester Evening Gazette reports that waterworkers have voted in favour of maintaining emergency cover for hospitals and kidney patients.

London and South East

At Reading a local union leader has said that 'management provocation' is making his members 'very angry', reports the Evening Post. He said: "Management provocation which involves doing the jobs of the lads on strike, is making them angry."

Midlands

Water strike stories have left the front page of some of the regional dailies in the Midlands, and there are fewer column inches devoted to the strike.

The Chesterfield Star leader: "Waterworkers do have a real grievance in that their levels of pay have fallen well behind other public utility workers, but in the present circumstances their claim of 15 per cent appears unrealistic, while the offer before them of 5.8 per cent is hardly a serious acknowledgement of their case."

South West

For the time being at least, leader writers in West Country papers have mostly turned to other topics.

Gloucestershire farmers have said that the Government should bring in troops to keep supplies going.

The Wessex Water Authority reports that Dorset continues to be free of any major problems, with the public using less water.

A Somerset waterworker who has returned to work is reported by the Bristol Evening Post as saying: "The union should never have allowed the strike to reach this stage. For one thing, we should all have been balloted ... and we would not be fighting a hopeless battle for a large jump in wages."

North West

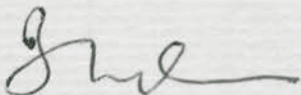
NW Water Authority chairman made no statement to press or media yesterday (he was in London), nor did anyone else. NWWA spokesmen quoted were confined to detailed effects of the strike.

Manchester Evening News blames Norman Tebbit's suggestion that union rules had been broken at a time when waterworkers were voting on 7.3 per cent offer, and says unions are also to blame for stubborn refusal to accept binding arbitration. In future, says the paper, arbitration should take precedence over industrial action.

Lancashire Evening Post columnist says strike is disgraceful and deceitful - disgraceful because of hardship imposed on elderly and deceitful because unions believe the public sector has a God-given right to more money whereas private sector has both insecurity and are settling for small increases.

Liverpool Echo publishes several indignant letters calling the strike "moral blackmail" and pointing out that many redundant and elderly or disabled pensioners paying high water rates would be happy with a fraction of the waterworkers' wage.

I am copying to the Home Secretary and to the Secretary of State for the Environment.



B. INGHAM
2 February 1983

*How much
numm away?*

WATER PAY AND STRIKE

FACT SHEET

Q1. Number of workers in the industry in England, Wales and Northern Ireland (together), also Scotland (separate) in

A.	<u>England, Wales & N Ireland</u>	<u>Scotland</u>
a. 1975	61,634	Not available
b. May 1979	66,482	6725
c. Dec 1982	61,863	Not available

Q2. Average wage in

A. a.	April 1975	£61.80	
b.	May 1979	£88.70	<i>54.3%.</i>
b.	April 1982	£136.90	<i>145. 64.5. ? 147.60</i>
RPI rise	April 1975 - April 1982	- 148%	
	April 1975 - December 1982	- 152%	

Q3. Number of people earning at the upper quartile level and what the upper quartile level is (~~£150~~)

approx 25% of workers (7,300 have earnings above £150 and are therefore close to or above the upper quartile (£154.60 April 1982)

Q4. Average pay for local authorities sewerage workers

A Local Authorities manual SCWU workers average weekly earnings:
Precise information is not available but the average for the for groups in which sewer men will be above the average is:-

Skilled sewer man £114 (present offer (4½%) to £118)
Specialists sewer men £124 (" to £130)

NB LACSAB are most anxious that comparisons should not be made which could prejudice the current consultations on the local government 4½% offer.

5. Average Water Rates (England and Wales only)

Average domestic bill for all water services provided by water authorities

<u>Financial Year</u>	<u>Effective from</u>	<u>Average Bill</u>	
1975/76	April 1975	£ 27.44	<i>same?</i>
1979/80	April 1979	41.98	
1982/83	April 1982	66.94	<i>59.46%</i>

Q6 Total cost of the mediators' recommendations and total cost union claims

A a. Total cost of mediator's recommendations:-

7.3% + + 0.5% 7.8% on wagebill

b. Total use of Unions' claim is:-

approximately 20% of which 15% is related to the upper quartile issue.

Q7. Total Pay Bill: Total employer costs of directly employed water authorities staff

<u>Financial Year</u>	<u>Effective Year</u>	£
1975/76	April 1975	198m
1979/80	April 1979	366m
1982/83	April 1982	537m (Estimated Outturn)

Q8. Total expenditure by Water Authorities

	Revenue Expenditure		Capital Expenditure	
	Cash £	Real Terms	Cash £	Real Terms
1975/76	805m	N.A.	484m	1016m
1979/80	1522m	N.A.	539m	699m
1982/83	2130m*	N.A.	669m*	669

*Estimated Outturns

9. Health Risks Associated with Water Strike

- a) Lack of potable supply - greatest risk.
- b) Gastro-enteritis - risk avoided by boiling or inappropriate disinfectants.
- c) Skin infection - if through long immersion in non-disinfected bath water.
- d) Poison - from inappropriate use of unsuitable or even toxic substances as disinfectants.
- e) Increased risk of lead pollution - where precautions to combat lead dissolving in water are made difficult.
- f) Polluted water - from reduced water pressure allowing ingress of pollutants through joints or increased accumulation of deposits in sewers and discharge into ground water.
- g) Smell - from sewage disposal works without adequate water.

~~MCS~~

BRIEFING NOTE: PAYMENT OF WATER BILLS IN THE EVENT OF INTERRUPTION OR FAILURE OF SUPPLIES

Unmeasured supplies (mainly domestic)

Under Section 39 of the 3rd Schedule to the Water Act 1945, statutory water undertakers have a duty to supply water for domestic purposes constantly and at a certain pressure. If they fail to do so, they are liable to a fine (without prejudice to their civil liability, if any, to a person aggrieved), except when prevented by frost, drought, unavoidable accident or other unavoidable cause or during the execution of necessary works. DOE legal advice is that the present water strike would fall within the "unavoidable cause" category.

The statutes make no provision for refunds by water undertakers if they fail to maintain a supply. It is doubtful whether they would be acting properly if they did make refunds, and they have not done so on previous occasions when supplies have been interrupted because of drought, frost, or other unavoidable cause.

Measured supplies (mainly industrial and commercial)

Measured supplies will always be the subject of an agreement between the water undertaker and the customer. Agreements normally provide for the payment of standing charges and a charge related to the metered volume. In the event of supply difficulties the volume related charge will only reflect supplies actually received. No question of refunds is likely to arise. Agreements normally also incorporate clauses which protect the water undertaker against any liability for damage or loss resulting from interruption or suspension of supplies in a wide variety of circumstances, including strikes.

Note: The term "water undertakers" includes water authorities and statutory water companies.

WFE Division (cleared with legal)

1 February 1983

PRIME MINISTER

cc Mr Mount
Mr Ingham

WATER STRIKE MEETING

We must plan on the assumption, however devoutly we are hoping otherwise, that our arrangements for handling the water strike will need to stand the test of a considerable period of time. In particular, if we are to make the best use of your planned series of early morning meetings on the water strike - and it is not yet clear that either daily meetings, or meetings first thing in the morning, are the best arrangement - it is important that the discussion is disciplined and follows a regular pattern. We need to get the participants accustomed to the idea that they are each going to have to make a short report covering their responsibilities, so that the information that the meeting requires is produced quickly and efficiently. There will usually be only about thirty minutes available, and decisions may need to be made as well; you may want to consider after tomorrow's meeting whether you need to have Mr Heseltine and the three Regional Secretaries of State to each meeting.

I suggest therefore that it would be best to call upon the following, in rather brisk order, to report, and to consider after each report the questions I have indicated:

- (i) Mr King should report first on the physical effects of the strike, and should identify any problem areas. The Regional Secretaries of State, if present, can supplement him. There are this evening some indications of two Penzance-type problems in Wales, on which Mr Edwards will want to comment.

Is there any action that needs to be taken to mitigate effects?

(ii) Mr King should then report on the latest negotiating position, with particular reference tomorrow to today's discussions between ACAS and both the employers and the unions;

Has the time yet arrived when we should encourage the employers to seek arbitration?

(iii) Mr Tebbit should add any light he may be able to throw on ACAS' intentions, and in particular on their response to the message they were sent today suggesting that they were not playing fair in leaning upon the employers to make further concessions;

Should any further communication be sent to ACAS?

(iv) Mr Whitelaw should report on the preparations of the CCU for breakdowns in emergency cover; Mr Goodall may have something to add on the official level CCU discussions, which are taking place regularly each evening;

Is there any case for changing the notice periods of Service Assistance (the official CCU this evening stood down the Emergency Repair Teams from 3 hours to 6 hours to enable soldiers to return home at night)?

(v) Bernard Ingham should give his assessment of the presentation of the dispute in the morning papers and in the media generally.

Is there any particular point that needs to be got across that is not being got across?

Which Ministers are going to be available to the media over the immediately forthcoming period?

If you agree with this approach, (I have discussed it with Peter Gregson, who approves), and it works tomorrow, I think it would be worth circulating the guts of it as the group's regular agenda.

1 February 1983

PRIME MINISTER

Prime Minister

Ms 1/2

WATER STRIKE: REGIONAL PRESENTATION

After a more encouraging report yesterday, the COI's return today makes dismal reading.

There is no evidence of an employer offensive - let alone a sustained one - in the regions.

Their activity is largely confined to commenting on the effects of the dispute which seems not to be very disruptive.

The unions are shown to be reacting unhappily or aggressively to employer comment - eg. in London and the South East.

On the whole editorial opinion is with the Government.

Below are extracts from the regional reports:

North East

"Northumbrian Water Authority spokesmen continue to comment in stories on the effects of the strike."

Yorkshire and Humberside

"Still no evidence of any efforts to sell the pay deal to the unions or to consumers."

"There has been a marked absence of leader comments about the strike - which is perhaps surprising considering the inconvenience and potential damage a prolonged strike will cause."

"Warnings from the unions that escalation of the industrial action will occur if there are any further attempts by management to perform waterworkers' functions or to call in the troops."

"The only condemnation of the strikers which I have seen today is in a Halifax Courier report of a local Conservative MP addressing a meeting of a neighbouring Conservative association."

East

"Again, Anglian Water Authority is saying nothing about its side of the industrial dispute. A press conference will be held today (Tuesday) but I understand that no 'management' statement will be issued."

"Main coverage in Eastern Region's papers today concerns the threat of a polluted water supply.

"Cambridge Evening News reports that the sewage treatment system is breaking down and there is now a real threat that the River Cam will be badly polluted."

"Southend Evening Echo reports that the attitude of strikers is hardening. No news of hardship as a result of the industrial action. An Essex Water Company spokesman is reported as saying that a publicity campaign to get the public to cut consumption is working. Consumption has dropped by ten per cent.

London and South East

"The Evening Argus, Brighton reported officers of the National Union of Public Employees had condemned as 'deplorable' comments at the weekend by Southern Water Authority chairman Sir Godfrey Taylor in which he said if the 1,700 manual workers won more than the present 7.3 per cent offer redundancies could be possible."

"Newspaper said the officers claimed Sir Godfrey was using his position to make political statements and appeared to be acting under instructions from the Government against the legitimate claim from low paid workers. Officers said his comments had done more harm than the strike ever could."

"Elsewhere Sir Godfrey said the South Coast was faring a lot better than most parts of the country. He laid much of the blame for the troubles with union leaders and not rank and file members."

South West

"A pro-national Water Council editorial in the Western Morning News suggests that the failure of the unions to ballot their members could prove to be a tactical blunder."

"Another leader in the Dorset Echo suggests that disruption of services had been kept to a minimum 'largely due to the strikers themselves'. It concludes that arbitration is the answer."

"More examples in the South West of waterworkers producing their pay slips to the press in support of their claim that their earnings 'approached nowhere near the figure of £134 bandied about'."

Midlands

"Northampton Chronicle and Echo leader said the Government seemed anxious to raise the temperature of the strike. Some pronouncements by Ministers had been provocative. This suggested their tactics may be to break the strike by a quick confrontation."

"The indications were that the Government was taking a very hawkish attitude which must strengthen the conviction that Mrs Thatcher and her Ministers intend to add the waterworkers' scalps to those of the health workers and civil servants."

"Coventry Evening Telegraph: STWA management were planning a new bid to persuade striking waterworkers to restore the emergency cover in Coventry and Warwickshire."

"The Managing Director of Corah, the big Leicester knitwear firm, said: 'People do not realise the seriousness of the strike. Ultimately, the whole company, which in Leicester means about 2,000 employees, depends on pure water supplies'."

North West

"George Mann, chairman of NWWA, has been interviewed on the telephone by Radio One and said that effects of strike were slow deterioration - 700 homes were now without mains supplies. He gave no other interviews yesterday."

"Lancashire Evening Post says it is time for arbitration in the dispute. Similarly, the Bolton Evening News says every effort should be made through arbitration to seek an early solution - for everyone's sake."

"Several papers, including Blackburn, Burnley and Oldham Evenings, report that freezing weather may force the Government to intervene in the strike."

B. Ingham I am copying to the Home Secretary and the Secretary of State for Environment.

B. INGHAM 1 February 1983

Water Industry (Dispute)

3.32 pm

The Secretary of State for the Environment (Mr. Tom King): With permission, Mr. Speaker, I shall make a statement about the industrial action in the water industry.

Since my statement last Monday there has been some increase in the number of people advised to boil water, as a precaution. This figure is now approximately 5.5 million. About 20,000 properties are without their mains water supply, but arrangements have been or are being made to provide supplies from standpipes or tankers. Some properties that had lost supplies have been reconnected.

The quality of effluent from some sewage treatment works has deteriorated but so far without serious effect on rivers. No significant pollution incidents have been reported. I am glad to tell the House that so far it has been possible to avoid or avert risks to public health.

In my previous statement, I expressed the hope that agreement would be reached that day at a meeting of the Water Industry National Joint Industrial Council.

I remind the house that both parties to the dispute had already agreed a procedure with ACAS for reaching a settlement, involving negotiations under an independent chairman, mediation by the chairman and, in the last resort, arbitration. An independent mediator was appointed by ACAS. He made a number of specific recommendations, which were subsequently accepted by the employers. They, therefore, made a further offer, reflecting his recommendations.

The employers offered an increase of 7.3 per cent. to run for 16 months from 5 December 1982 together with an increase in the service supplement for manual employees with more than five years service. The mediator, in paragraph 8 of his report, suggested further talks about increased earnings opportunities through bonus schemes and greater efficiency.

I have placed in the Library copies of the agreed procedure, together with the mediator's report.

Although the unions specifically requested mediation and agreed the mediator's terms of reference, they rejected the employers' offer based on his recommendations. On Saturday they announced the continuation of strike action, without any reference to the agreed procedure for the resolution of this dispute, which, as a last resort, provides for arbitration.

ACAS met the employers side yesterday. There have been further discussions today. I understand that ACAS is seeing the unions this evening.

The House will hope that the efforts of ACAS will enable this damaging dispute to be brought to the earliest possible conclusion. In the meantime, I know that the House will be anxious to see that the emergency cover continues to be provided and that hardship and distress are not caused. Whatever the dispute, there cannot be any justification for actions which hurt those least able to help themselves.

There are clearly two main options to achieve an end to the dispute and an immediate return to work. Either the mediator's recommendation of urgent discussions on the various ways in which the earnings opportunities of water workers can be improved is pursued further or, if this

course is unacceptable, the terms of the national agreement regarding arbitration should be followed. The way is there. It must be taken.

Mr. Gerald Kaufman (Manchester, Ardwick): I agree with the Secretary of State about the potential exceptional gravity of this dispute and the potential hardship to many millions of our fellow citizens. I agree with him about hardly anything else.

It is not true, as the Secretary of State has claimed, that the employers' offer is based on the mediator's recommendation. It is based on one of the two recommendations in paragraph 9. No offer has been made by the employers on the basis of paragraph 8, which calls for an understanding, positive and determined response to the workers' grievance on comparability. The mediator says in that paragraph:

"I recommend that they now do so as a matter of great urgency."

The unions sent a telex to the employers on Saturday asking for negotiations on the mediator's report. They have had no reply to that urgent communication. Meanwhile, the House has a right to a full report from the Secretary of State on the part that he has been playing in this dispute.

Will the Secretary of State report to the House on his reported secret meeting last Thursday evening with three water council chairmen, including Sir William Dugdale, all of them members of the Conservative party? Will he give the House the facts on his reported attempt to pressure Sir William Dugdale into changing the composition of the negotiating group, including removing the chairman, Mr. Len Hill? Will he explain why Mr. Len Hill was excluded from the meeting last Thursday evening?

Is it not a fact that if the workers had not adhered meticulously to their code of practice the danger to the health of the people of this country would already be one of incalculable gravity and that the insults to them by the Secretary of State, the Secretary of State for Employment and the Prime Minister are doing nothing to help? Will the right hon. Gentleman now ask the employers to respond immediately to the trade unions request for negotiations? The right hon. Gentleman said on television on Sunday:

"We back the judgment of the independent mediator". Will he therefore give a categorical assurance that the employers are free to negotiate on the whole of the mediator's report?

Should not the prime concern—[*Interruption.*] This is a major crisis brought about by the Government. Should not the prime concern of the House be the grave danger to the health of our fellow citizens and to the country's industry? It is the Secretary of State's duty to bring about a speedy and honourable conclusion to the dispute by encouraging urgent negotiations. That is also the duty of the Opposition. If the right hon. Gentleman will not do his duty, we shall do ours.

Mr. King: With great respect, I do not think that the right hon. Gentleman can have listened to my statement. The right hon. Gentleman invites the employers to respond to the recommendations in paragraph 8 of the mediator's report. I have just said that. As the right hon. Gentleman knows, improving the earnings opportunities of water workers by the various methods that I described in my statement is precisely what paragraph 8 is about. Indeed, I concluded my statement by saying that one of the two options that should be pursued was the mediator's

Q3. **Mr. Bidwell** asked the Prime Minister if she will list her official engagements for Tuesday 1 February.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Bidwell: Does the right hon. Lady understand that her remarks in this Chamber on the water industry dispute have been exceedingly unhelpful? Taking examples of average earnings is always dodgy, especially if related to the Members of the House. With regard to the right hon. Lady's remarks last Thursday, may I point out that the report of a mediator connected with ACAS is not holy writ, as evidenced by the recent decision of the Department of Defence when the Government turned down a mediator's proposal in the dispute with the Transport and General Workers Union?

The Prime Minister: I am sorry that the facts get in the hon. Gentleman's way, as that is virtually all that I have given him in connection with this dispute.

The hon. Gentleman knows that the agreement between the employers and the employees is that the dispute, if such there be, should go to arbitration before there is industrial action. With regard to this dispute, the water workers wanted mediation and the employers agreed to it. The water workers agreed the name of the mediator, as did the employers. The mediator pronounced, and the employers accepted his decision. We are now awaiting the decision of the water workers.

Mr. Arthur Lewis: On a point of order, Mr. Speaker. I think that I am correct in saying that on occasions you,

with the Leader of the House and what are known as the usual channels, discuss the procedure of the House. Next time that happens, will you consider the possibility that Privy Councillors should have their own time to put questions to the Prime Minister, and not keep muscling in by taking up two-thirds, if not 90 per cent. of the time which should be for Back Benchers, who take the trouble to table questions? Privy Councillors enter the Chamber just before the Prime Minister gets to her feet.

Mr. Speaker: Order. I always listen with the utmost respect to what the hon. Member for Newham, North-West (Mr. Lewis) says. I have no doubt that Privy Councillors will do the same.

Mr. Cryer: Further to that point of order, Mr. Speaker. Could hon. Members be selected to ask questions during Prime Minister's Question Time on the basis of those whose questions are among the first 10 or 12 on the Order Paper by virtue of random selection? It would work out perfectly fairly and would prevent the invidious accusations that Privy Councillors receive more opportunities than other Members, as we are all elected on an absolutely fair and equal basis.

Mr. Speaker: Order. This gives me an opportunity to say that I shall call a conference of the various parties to consider the outrageous way in which Prime Minister's Question Time is being ruined. I honestly believe that the open question has changed the character of Question Time. I welcome a conference. I shall now call the respective parties to my House to discuss how to get over this.

recommendations for urgent discussions in various ways. The negotiating team, ably led by Mr. Len Hill, chairman of the South West water authority, made it clear publicly, that those recommendations were broadly acceptable. I certainly believe that that is the course that should be pursued.

The right hon. Gentleman seems unable to resist any rumour or smear, no matter how grave the issue before the House. I am glad that he has given me the opportunity to contradict the lie about a secret meeting. I assure the right hon. Gentleman that if I were to hold a secret meeting it would not be held in my Department, during normal working hours, with officials present on both sides and with all the chairmen of the national water authorities who were available in London on that day. I had hoped that Mr. Len Hill would be able to come to the meeting, but as chairman of the South West water authority, and in view of the seriousness of the dispute, he naturally needed to spend some time in his own authority.

The suggestion that I am seeking to replace Mr. Hill as leader of the employers' negotiating team is entirely false. I have considerable respect for his ability and as a negotiator and I am surprised that the right hon. Gentleman should wish to introduce such a totally unjustified and singularly unpleasant smear.

Mr. Kaufman *rose*—

Hon. Members: Withdraw.

Mr. Kaufman: The right hon. Gentleman well knows that for three months he has been putting pressure on the negotiators behind the scenes and that it was his intervention that prevented a settlement towards the end of last year. The information available to us after careful inquiry does not accord with what the Secretary of State has told the House. Mr. Hill did not know that the meeting was taking place. It is most peculiar that the only people available were those who agreed politically with the Secretary of State. It is also interesting that information has come to us that there was resistance by the employers to the replacement of Mr. Len Hill. We certainly agree that Mr. Hill carries—[HON. MEMBERS: "Withdraw."] No, I shall not withdraw. [Interruption.]

Mr. Speaker: Order. We are dealing with a very serious issue. The whole country is anxious about it. Therefore, we should conduct ourselves properly.

Mr. Kaufman: The Secretary of State does not deny that he held that meeting last Thursday. He has not told that House what went on at it, nor has he explained why it was so urgent that only three water authority chairmen were present and time was not made available for the rest of the nine chairmen to attend. I asked for a report on the meeting, but we have received only a series of denials that do not add up.

I repeat my request. Will the Secretary of State now encourage the employers to respond to the workers' request for negotiations which was made three days ago and to which no response has been received?

Mr. King: I am sorry that the right hon. Gentleman has chosen to return to the issue that I hoped that I had dealt with. In relation to the "secret" meeting, I wish to tell the House with the candour and, I hope, the integrity that it would expect of me that the version that I have given to the House is absolutely correct. The reason why Mr. Hill did not know of the meeting was that it was to be a meeting

with my hon. Friend the Under-Secretary of State. The concerns that arose at that meeting—Sir William Dugdale has put this on record, so I do not mind repeating it—related to the publicity arrangements and whether the water authority chairmen were ensuring that in their own areas adequate publicity was being given to the terms of what we believed was, in the circumstances, a very fair offer and that their side of the argument was being adequately represented. It was not a question that only three people were present at the meeting. At the last minute, when I heard that the chairmen who were available at the time were coming in, I invited them to my office as I wished to join in the discussions.

That is the truth. If the right hon. Gentleman wishes to pursue the slur that there has been any attempt to replace Mr. Len Hill as leader of the negotiating team, he is free to do so, but I hope that he will understand from me—we have crossed swords on other matters and he knows that I value what I consider to be the responsibility of a Minister to the House—that there is no truth whatever in the allegation. I make that clear to the House now. I hope that the right hon. Gentleman will not pursue those arguments because there are very serious issues at stake, and I am appalled at the attempt to trivialise the issue with smears and rumours of that kind.

Once again, I have made it quite clear, and I understand clearly from the employers—they have said this to the unions directly—that they are more than ready to enter into urgent discussions on paragraph 8 of the mediator's report. That is what the right hon. Gentleman asked, and that is what they are willing to do.

Mr. Kaufman: First, the Secretary of State has now given two alternative versions of Thursday's meeting, and the two versions are not compatible. Secondly, he has not responded to my request that he now ask the employers to respond to the message sent by the workers on Saturday so that urgent negotiations to resolve the dispute may take place.

Several Hon. Members *rose*—

Mr. Speaker: I do not propose to allow the usual length of time on this subject. We have already taken 20 minutes and have heard that talks are continuing tonight. Therefore, I propose to call a few more hon. Members from each side and then move on.

Mr. Tony Durant (Reading, North): Does my right hon. Friend realise that the general public do not understand why, when an independent mediator has been set up and when an agreement has been reached between the industry and the unions, the unions which were party to that agreement will not accept what the mediator has proposed?

Mr. King: It was made clear in Mr. Lowry's letter that, while it was hoped that the mediator's recommendations could be accepted, they were not binding. If that view is taken, I hope that the right hon. Member for Manchester, Ardwick (Mr. Kaufman) will say that, as that was the term of the ACAS understanding, the further term of the ACAS understanding should be observed. If the second part of the agreed procedure is not acceptable to the unions and with some reluctance the employers have realised an obligation to accept it to end the dispute, there is no question but that it is for the unions to pursue the further agreed procedure that is laid down and signed by them with ACAS.

Mrs. Shirley Williams (Crosby): Does the Secretary of State agree that it is overwhelmingly in the national interest that the dispute should be ended as soon as possible and that emergency cover has been an important factor? Does he agree that we should recognise the willingness of at least some water workers to keep that emergency cover going? The Secretary of State will be aware that, rightly or wrongly, there has been some suspicion that he has intervened with the National Water Council in the negotiations. Will he give an assurance that in any recourse to arbitration the Government will not instruct or otherwise intervene with the National Water Council in reaching a conclusion that it believes will bring the dispute to an end?

Mr. King: That obviously concerns the ACAS arrangements. It is a matter for both parties. I hope that there can be agreement about an arbitrator who will have to resolve the problem, if that is the course that the unions wish to take. In either circumstance, under the agreement, there should be an immediate return to work. That is part of the national agreement to which the unions are committed. There have been one or two slight deviations. I hope that the right hon. Lady will agree that it is important for industrial relations that signed agreements are honoured.

Mr. Robert C. Brown (Newcastle upon Tyne, West): Does the Secretary of State agree that the employees in the industry have behaved in an exemplary fashion since the strike began? That being so, does he agree that the Government should do their utmost to encourage the maintenance of that conduct for as long as possible? Does he agree that the Prime Minister, bedecked with diamonds, inferring that they are nothing but a greedy lot of no-goods and the Secretary of State for Employment quoting a rule book when he cannot tell a rule book from a sore thumb do nothing to help to restore the normal tranquility of the industry but inflame already dangerous circumstances?

Mr. King: I do not believe that it will help if I comment on behaviour in the industry. Without question, in some areas there has been good co-operation to meet some difficult problems. In others, I have to say that behaviour has been less good. I hope that the normal processes of mediation and arbitration that are available can be put to good effect so that the public may be protected from what will otherwise become an increasingly unacceptable dispute. I understand from the evidence supplied by an opinion poll carried out by MORI for the National Water Council that the public regard the offer as fair, and think that it does not justify the type of industrial action that is now causing much hardship.

Mr. Robin Squire (Hornchurch): In the light of the hardship that is being caused to an increasing number of people, especially the handicapped and the elderly, will my right hon. Friend say when he considers that the final stage of the procedure that is signed by all parties has been reached? Will he confirm that it was part of that procedure and understanding that, in the event of either party going to arbitration, there would be "an obligation" on the other party to respond to that request?

Mr. King: I understand that the employers have made it clear that if the unions are unable, as they appear to be, to accept the mediator's recommendation and proceed to

the final stage because they are unable to accept the intermediate one, the employers recognise the obligation to accompany them in that reference to arbitration.

Dr. John Cunningham (Whitehaven): Has not the country been brought to this grave circumstance first by the Government reneging on their election promise of free collective bargaining and, secondly, by the right hon. Gentleman's short-sighted and stupid attempt to try to impose a 4 per cent. ceiling on the negotiations and by the even more stupid intervention of the Secretary of State for Employment? Is the Secretary of State now saying that he will agree to the employers returning to the negotiating table to honour the commitment on comparability that was given to the water workers?

Mr. King: The hon. Gentleman has a limited knowledge of the background to the negotiations.

Dr. Cunningham: I have worked in the industry.

Mr. King: Then there is even less excuse for the hon. Gentleman knowing so little about it.

Negotiations about the upper quartile have been proceeding throughout the year. There have already been some five or six meetings about comparability. It has never been promised or conceded. The hon. Gentleman was also wrong because the employers' opening offer was 4 per cent. Because it was unacceptable they went to arbitration. Arbitration was offered on the same day because the claim was difficult. It involves both an adjustment to the annual rate of pay and a complete change in the level in the pay league. Rather than trying to recreate history incorrectly, I hope that the hon. Gentleman will address himself to the serious problem of whether the agreement that has been reached can be offered.

Mr. Peter Bottomley (Woolwich, West): Which groups of workers who would be done down if the water workers moved into the upper quartile have consented to that relative movement? Is there any explanation why the leaders of the National Union of Public Employees accepted an offer that is equal to or lower than that which has been offered to the water workers after their efforts on behalf of nurses and public sector employees in the National Health Service which had the sincere support of many hon. Members and much of the country? Has the Thames water authority given any sign whether it will repair mains bursts that occurred before the strike began?

Mr. King: I have not had any information on my hon. Friend's final point. Several mains bursts in London are being repaired. Some of that type of work is normally done by contractors and they have been carrying it out. My hon. Friend's point about the basic change in the earnings league illustrates why the mediator, who has had a better opportunity than any right hon. or hon. Member to assess the suggestion, having heard the unions put their case, was able to make no recommendation. Indeed, he specifically dismissed it. He said that, although there is a grievance about earnings, there are opportunities for earnings to be increased. The employers' point—the mediator agrees—is that increased wages must be earned and cannot be awarded out of the blue.

Mr. Sydney Bidwell (Ealing, Southall): Is the Secretary of State aware that Sir Walter Dugdale, the chairman of the National Water Council, told millions of people on television during the weekend that if the

Government wanted a settlement there would be one? It is as plain as a pikestaff that the argument is about just a little more money which the Government can authorise.

Mr. King: It is not "Sir Walter" it is "Sir William". Nor is that what he said. The fact is—and this came out as plain as a pikestaff, if I may use the hon. Member's phrase—that it is not just a little more money. There is an issue of principle, the issue of the upper quartile. That came out clearly and union members themselves made that clear.

Mr. Nicholas Winterton (Macclesfield): I congratulate my right hon. Friend on his constructive and informative statement to the House. I share his wish that this damaging dispute should be settled quickly. Is he aware that increasing evidence is coming to the attention of hon. Members that many water workers were not in receipt of ballot papers for the votes that have taken place? Will he therefore discuss with the Secretary of State for Employment whether, far from there being jiggery-pokery on the Government's side, there is a devil of a lot of jiggery-pokery on the union side? I can quote chapter and verse if he wishes.

Mr. King: This widens the issue into areas into which I would rather not proceed today. The way in which the respective ballots, soundings or whatever have been conducted, which will have been noted by many people up and down the country, must be of continuing concern. Undoubtedly others will want to reflect on this.

Mr. Jack Ashley (Stoke-on-Trent, South): As a Member sponsored by the General and Municipal, Boilermakers and Allied Trades Union, may I say that, whatever the outcome of the dispute, the way in which the Government have handled it is a clear warning that they should reconsider their whole attitude to industrial relations when it can provoke and embitter moderate and reasonable workers like the water industry workers?

Mr. King: I hope that the right hon. Gentleman will reflect on what he has said about the way in which the dispute has been handled by the Government. We have encouraged the discussions and the attempts at conciliation at ACAS. We have encouraged mediation and the appointment of an independent mediator. We have made

it clear at all times that under the national agreement arbitration is available. I should have hoped that that would have seemed to the right hon. Gentleman, with his trade union connections, an impeccable approach to a difficult industrial situation.

Mr. John Gorst (Hendon, North): When the strike is over will my right hon. Friend have discussions with the Secretary of State for Employment on an important matter that has been raised, namely, the necessity for alternative arrangements when strikes in essential services affect the lives or safety of the public with a view to changing the law so that people may no longer have immunity when they put at risk lives and safety?

Mr. King: I well understand why my hon. Friend has raised that point. Every right hon. and hon. Member must be gravely concerned about the present situation, with a threat to an essential service. I regret it particularly because there is an agreement which provides for mediation and arbitration to continue. There is no good reason why normal working should not continue while these procedures go forward. It is not acceptable for the life of the country and the lot of elderly people, the sick and the handicapped to be so inconvenienced and distressed as many are.

Mr. Kaufman: Since the one thing that we are all agreed upon, including the right hon. Gentleman and myself, is that this strike is potentially of extreme gravity and must be solved honourably and reasonably on all sides, will the Secretary of State, in view of his continual commendation of the mediator's report, ask the employers to respond directly to the telex from the workers asking for further negotiations so that further negotiations may begin immediately?

Mr. King: I do not know how many times I have to repeat it, but, if the right hon. Gentleman would read the last paragraph of my statement, I hope it will be clear to him that that is precisely what the employers have offered in terms of urgent discussions. That has the full support of the Government. I shall not say any more because I hope that the unions will shortly this afternoon be going to ACAS and that it will be possible to find some way forward in this damaging dispute.

Water Industry (Closed Shop Agreement)

4.4 pm

Mr. Douglas Hogg (Grantham): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 9, for the purpose of discussing a specific and important matter that should have urgent consideration, namely, "the operation of a closed shop agreement within the water industry".

Following Labour legislation in the 1950s, the water authorities have introduced a closed shop agreement within the industry. Membership of a designated trade union has been made a condition of employment for new employees; thus, the withdrawal of a union card exposes an employee to dismissal without redress. As a result of what has been said to me over the weekend and subsequently, it is clear that a substantial number of water authority employees in my area would like to accept the mediator's award and return to work, but they fear to exercise that right because they know that if they do so there is a substantial risk that they will be dismissed without compensation.

Such a situation is an intolerable affront to the principles of natural justice for which the House stands. The House should have the opportunity to urge upon unions and employers alike the need to give a formal undertaking that they will not bring about the dismissal of any employee who chooses to return to work and accept the mediator's award.

This matter is specific because, as a result of the closed shop agreement, trade union constituents of mine are being obliged to do that which they do not wish to do. The matter is urgent because, as a result of the trade union closed shop agreement, trade union constituents of mine are suffering severe financial loss. The matter is important because the trade unions, having refused the mediator's award, are subjecting my constituents to severe and prolonged hardship.

Mr. Speaker: The hon. Member for Grantham (Mr. Hogg) gave me notice before 12 o'clock midday that he would seek leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely, "the operation of a closed shop agreement within the water industry".

The House has listened with concern to what the hon. Gentleman said, as I have myself, and to the exchanges earlier. However, the House knows that under Standing order No. 9 I am directed to take into account the several factors set out in the order, but to give no reason for my decision.

I have to rule that the hon. Gentleman's submission does not fall within the provisions of the Standing Order and, therefore, I cannot submit his application to the House.

Liverpool, Wavertree (Circulation of Leaflet)

4.8 pm

Mr. Anthony Steen (Liverpool, Wavertree): On a point of order, Mr. Speaker, I should like your guidance on a long-standing convention in the House by which Members of Parliament do not trespass on the constituencies of other Members.

In the past few days a scurrilous leaflet has been circulated in one of the wards of my constituency by the hon. Member for Liverpool, Edge Hill (Mr. Alton). Its distribution has caused considerable consternation to my constituents because it has the insignia of the House of Commons in the right-hand corner, it also has the print of the House of Commons on the right-hand side and it infers that the hon. Member for Edge Hill is servicing and representing my constituents. In the final paragraph of his leaflet he says:

"Now that the Mossley Hill Liberal Association has adopted me as their Prospective Parliamentary Candidate, I look forward to extending the service to the area coming into the constituency. Please remember that if I ever can be of service to you, or if you would like to help the Liberal campaign, you shouldn't hesitate to get in touch. You can write to me at the House of Commons".

I ask for your protection, Mr. Speaker, from one Member who is trespassing into the constituency of another.

Mr. David Alton (Liverpool, Edge Hill): Further to that point of order, Mr. Speaker. May I make it clear to you and the House that before issuing the leaflet I consulted my hon. Friend the Member for Berwick-upon-Tweed (Mr. Beith), the chief whip of the Liberal party? He made it clear to me that a Committee of the House had considered the use of the emblem that is shown on the leaflet, which is not the insignia of the House of Commons, and found that it was in order to use it. Furthermore, I made it clear in the letter, while the Boundary Commission is still sitting, that the Mossley Hill Liberal association has just been formed, and in future I would hope for the support of the people in that area if I were ever to be chosen as a candidate there.

It is proper and in order for any person to seek selection as a prospective candidate.

Mr. Arthur Lewis (Newham, North-West): Further to that point of order, Mr. Speaker.

Mr. Speaker: Order. I shall give a ruling in a moment. I will call the hon. Gentleman.

Mr. Alton: Surely it is the right of any citizen to seek your protection, Mr. Speaker, to have the right of free speech and to make it clear that he has an alternative point of view to put to others. I do not seek to interfere in the work of the hon. Member for Liverpool, Wavertree (Mr. Steen) while the Wavertree constituency exists. I am sure that the hon. Gentleman is capable of discharging his duties in that respect. It is made clear in the leaflet that the largest component part of the new Mossley Hill constituency is my own Edge Hill constituency. That is the truth. [HON. MEMBERS: "Election expenses".] There is no question of election expenses being—[HON. MEMBERS: "Oh".] My position is identical to that of the hon. Member for Liverpool, Garston (Mr. Thornton), who was recently chosen as prospective candidate for the seat of my right hon. Friend the Member for Crosby (Mrs. Williams).

MAJOR INDUSTRIAL DISPUTES

Water Services (E&W)(29,400 manual workers - GMBATU, NUPE, TGWU)

1. Workers in the water industry began an all-out strike at midnight on Sunday 23 January 1983, following a week in which they had banned overtime, stand-by and call-out duties.
2. Members of the National Water Council return to ACAS today to continue talks, which began yesterday, on ACAS proposals for further negotiations based on the mediator's report, which the unions had previously rejected. GMBATU is reported to be meeting today to consider extending the strike action to include its 1200 Scottish water workers who, though not party to the negotiations, have been guaranteed the same deal as their counterparts in England and Wales. NUPE has already given authority for its Scottish members to strike.
3. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [The unions later quantified this informally as being in the upper quartile of published earnings figures.]



LM
2/2

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

1 February 1983

Dear Michael

WATER INDUSTRY PAY DISPUTE - STATEMENT TO HOUSE OF COMMONS

/ I attach a copy of the statement my Secretary of State proposes to make to the House this afternoon on the current situation in the water industry. It is, of course, subject to drafting changes before 3.30 pm.

I am copying this to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Leader of the House of Commons, the Paymaster General, the Secretaries of State for Employment, Scotland, Wales and the Chief Press Secretary at No 10.

John
Edmonds

D A EDMONDS
Private Secretary

WATER INDUSTRY PAY DISPUTE - STATEMENT - 1.2.83

With permission, Mr Speaker, I shall make a statement about the industrial action in the water industry.

Since my statement last Monday there has been some increase in the number of people advised to boil water, as a precaution.

This figure is now approximately 5½ million.

About 20,000 properties are without their mains water supply, but arrangements have been or are being made to provide supplies from standpipes or tankers.

Some properties that had lost supplies have been reconnected.

The quality of effluent from some sewage treatment works has deteriorated but so far without serious effects on rivers.

No significant pollution incidents have been reported.

I am glad to tell the House that so far it has been possible to avoid or avert risks to public health.

In my previous statement, I expressed the hope that agreement would be reached that day at a meeting of the water industry national Joint Industrial Council.

I would remind the House that both parties to the dispute agreed a procedure with ACAS for reaching a settlement, involving negotiations under an independent chairman, mediation by the chairman and, in the last resort, arbitration.

An independent mediator was appointed by ACAS.

He made a number of specific recommendations, which were subsequently accepted the employers.

They, therefore, made a further offer, reflecting his recommendations.

They offered an increase of 7.3% to run for 16 months from 5 December 1982 together with an increase in the service supplement for manual employees with more than 5 years service.

The mediator, (in paragraph 8 of his report), suggested further talks about increased earnings opportunities through bonus schemes and greater efficiency.

I have placed in the Library copies of the agreed procedure, together with the mediator's report.

Although the unions has specifically requested mediation and agreed the mediator's terms of reference, they rejected the employers offer based on his recommendations.

On Sunday they announced the continuation of strike action, without any reference to the agreed procedure for the resolution of this dispute, which, as a last resort, provides for arbitration.

ACAS met the employers side yesterday.

There have been further discussions today.

I understand that ACAS is seeing the unions this evening.

Mr Speaker, the whole House will hope that the efforts of ACAS will enable this damaging dispute to be brought to the earliest possible conclusion.

In the meantime, I know that the House will also be anxious to see that the agreements for emergency cover and the avoidance of serious hardship and distress scrupulously observed by those concerned.

Whatever the dispute, there cannot be any justification for actions which hurt those least able to help themselves.

I believe that the basis for an immediate return to work does exist in the recommendations of the mediator.

I hope that this will now be accepted by both sides.

It must be the wish of every Member of this House that this objective is achieved as soon as possible.

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pc B.I.

10 DOWNING STREET

From the Private Secretary

31 January 1983

✓ CC MASTER

Dear David,

Water Workers' Dispute

The Prime Minister took a meeting this evening about the water workers' dispute. Apart from your Secretary of State, the Home Secretary, the Secretaries of State for Scotland, Wales, Employment and Defence, Sir Robert Armstrong, Mr. Goodall and Bernard Ingham were present.

Your Secretary of State said that the situation in the country continued slowly to worsen. 18,500 homes were now without piped water supplies, and some 5½ million people were being advised to boil their drinking water. So far there had been no sudden deterioration in the position, and it seemed likely that the system at large would continue gradually to deteriorate, without any identifiable moment at which its condition would be expected suddenly to worsen sharply. His consultations with the CBI indicated that there was no concern that a major reduction in industrial activity was imminent. This was, however, unpredictable territory, and major difficulty ahead could not be ruled out. Sewage was being discharged into rivers. This was deplorable, but had not so far created serious pollution problems. He had not given general instructions to water authorities either to employ, or not to employ, private contractors. It was better to proceed on a case by case basis, locally. On the negotiations between the employers and the employees, it would be essential to continue to build up public support for the very reasonable position which the employers had taken. It would be important to identify a limited number of key facts - the average earnings of water workers in May 1979, as compared with today; the percentage increase; the same figures for water rates; and the comparison between the increases water workers had enjoyed in recent years, and those of the electricity and gas workers. These facts should spearhead the publicity effort.

Summing up the discussion, the Prime Minister said that she would take a daily meeting of this group of Ministers at 0830 or so each morning. It would be helpful if the official CCU had met each preceding evening, to prepare a report on the situation. It was beginning to look as if the strike might be a protracted affair. Each day it would be necessary to develop a publicity plan. There might be a role for Government backbenchers in each region to help

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get across the employers' case; and there could be a case for an appeal for good neighbourliness where the old and the infirm were without water supplies. She wished to reach a judgement about whether a strike lasting six weeks or so could be lived with, using, if necessary, private contractors and the armed forces. If only 30,000 employees were involved should not a plan for recruitment for an alternative workforce, in whole or in part, be drawn up? A strategy should be developed for bringing the strike, in a variety of circumstances, to an end. Efforts should be made to engage a wide range of lobbies; for example, farmers, anglers and those who use canals and rivers for other recreational purposes. The first meeting of the group, whose existence should not be disclosed, will be on Wednesday morning, 2 February.

I am sending copies of this letter to John Halliday (Home Office), John Kerr (HM Treasury), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Barnaby Shaw (Department of Employment), Richard Mottram (Ministry of Defence), Richard Hatfield (Cabinet Office) and Mr. Goodall (Cabinet Office). I would be grateful if you and they would give this a very limited circulation.

Yours sincerely,

Michael Schuster

David Edmonds, Esq.,
Department of the Environment.

SECRET

cc MCB
✓
Local
Govt.

WATER STRIKE - PRESENTATION

The latest return this morning from the COI of presentational activity in the regions by Water Authority leaders shows some increase in employer activity but evidence of significant efforts only in the North West, South West and Southern.

Editorial opinion still seems to be substantially with the Government.

Waterworkers are, as expected, producing pay-slips showing earnings well below the stated average.

Extracts from Regional round-ups are as follows:

South West

"South West Water Authority chairman, Len Hill, who is also chairman of the employers' side of the National Joint Council for the water industry, urges waterworkers to accept arbitration. In extensive interviews in the Western Morning News and Western Evening Herald Mr Hill, a former trade unionist, said he found it difficult to understand why they did not take their case to arbitration. 'They have got 7.8% - arbitration is not going to 'give them less' he claimed."

"There is no significant evidence in the Wessex Water Authority area of employers' spokesmen putting forward their case. However prominence is given in the Bristol Evening Post to waterworkers making public details of their pay packets in support of their claim."

Yorkshire and Humberside

"There is no evidence that the YWA is engaging in any media efforts to convince their workers or the public that the pay offer should be accepted: the newspapers report only the comments made by the national negotiators and Government Ministers."

"Local coverage: more case histories of individual workers earning considerably less than the quoted national average waterworker wage."

East

"The only message given out by the Anglian Water Authority to its consumers during the weekend, and widely reported in most papers, is a 'Save It' appeal."

"Anglian Water Authority has issued no statements re their case in the dispute. They say that this is a matter for the National Water Council."

"An editorial in the East Anglian Daily Times states that the Government has settled firmly for another war of attrition and, on balance, this must be right. The strikers may have over-estimated their strength."

North East

"Comment from both the employers and trade union sides was drawn from statements by national representatives."

"Northumbrian Water Authority chairman, Mr Michael Straker, was said (Evening Chronicle, 29.1.83) to be sure that strikers would come to the rescue in an emergency rather than allow troops to move in. He was reported to be confident that staff 'would help out in a critical situation so there would be no need to call in the military'."

London and South

"The Evening Argus (Brighton) headlined across its front page on Saturday a robust warning from the Southern Water Authority chairman Sir Godfrey Taylor, that waterworkers in Sussex could face redundancies if they win more money.

"The newspaper went on: 'in a get-tough stance to the strike Sir Godfrey insisted' 'the Water Authority will not back down over this - there is no way we will give in'.

"He said he hoped the unions would now go to arbitration and added that he was furious that people in other industries had lost jobs because of the water strike."

North West

"Blackburn and Burnley Evenings report George Mann, chairman of the NW Water Authority, as saying that the pay offer was worth between £9 and £11 per week to the average waterworkers doing a few hours overtime a week. He outlined the effects of the offer in a letter sent to all of the region's 4,000 manual workers."

"George Mann, appeared on Granada Television on Friday evening with union negotiator Gateley of G and M. He spoke on Radio Cumbria on Sunday and was interviewed by the Cumberland Evening News and Liverpool Echo over the weekend. It is understood that arrangements had been made for him to appear on two television stations and one radio station today and tomorrow. In addition to spelling out the employers' offer, he has been saying that the increase is higher than three settlements for the miners in recent years."

Midlands

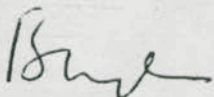
"Hereford Evening News (Friday 28) gives prominence to a warning by Welsh W A Division Manager that 'If the water strike goes into next week it will make the summer of 1976 look like a picnic'."

"Today's Birmingham Post's second leader says: 'It was only to be expected that before too much time elapsed the waterworkers on strike would begin to show the unacceptable face of trade unionism. As if it is not bad enough that the whole country is being held to ransom over an unrealistic pay claim, the strikers have turned to spiting the sick and the elderly'."

"The Nottingham Evening Post's leader (28 Jan) referred to a series it ran examining the performance of the Severn Trent Water Authority. The Post said the whole structure of the Water Authorities 'monstrous monoliths' should be examined."

"Leicester Mercury quoted a union spokesman as saying that the gap was closing and that they wanted a settlement. If the agreement was over 12 months instead of 16, it would be accepted."

I am copying to the Home Secretary and the Secretary of State for Environment.



B. INGHAM
31 January, 1983



General and Municipal Workers' Union

Incorporating MATSA

General Secretary: DAVID BASNETT

PRIVATE AND CONFIDENTIAL

Your Ref:

Our Ref: FWC/CR..03136

Thorne House Ruxley Ridge Claygate Esher Surrey KT10 0TL
Telex: 27428 Telegrams: Unitude Esher
Telephone: Esher 62081



Prime Minister (2)
We will let you have a draft reply

The Rt. Hon. Mrs M Thatcher, MP
Prime Minister
No.10 Downing Street
London SW1

MUS 3/2

B *mt*

31 January 1983

(rec'd 3 Feb)

Dear Prime Minister

I have noted with interest your recent remarks, widely reported in the media, on the acceptance (or rejection) of the Mediator's Report in the current Water Industry dispute.

I would not wish to comment on that particular dispute since it falls into the area of responsibility of other National Union Officials. However, I cannot help but compare your views on the subject of mediators' recommendations with those of your recently departed Minister of State for Defence and I attach a copy of Lord Trenchard's recent letter to me signifying his rejection of a Mediator's recommendation in respect of a dispute in the Royal Dockyards, when the Government insisted on a mediation and agreed the mediator, as a means of bringing industrial action to an end and resolving a dispute.

Is it that the Government applies different standards in its dealings with its own employees than those it expects others to apply? Or, can we take it that Trenchard's departure was the result of a fundamental disagreement with yourself on what you obviously consider to be an important point of principle?

In any case, in view of your recent statement can we now take it that you will reverse the Defence Minister's decision and apply the Mediator's recommendations in respect of our members employed as Qualified Assistant Painters in the Royal Dockyards?

Yours sincerely

F W Cottam
National Industrial Officer

att:



Minister of State
for Defence Procurement

D/MIN/TT/22/2

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

5 January 1983

Dear Mr Cottam

QUALIFIED ASSISTANT PAINTERS

Following our meeting on 25th November, I am now in a position to write to you in relation to the above.

I realise that in deciding that we could not accept the recommendation of the mediator in this case we were bound to be criticised by you and your members. However, as I pointed out at our meeting, we are not on a compulsory arbitration basis and mediation is designed to try to bring two parties together. It does not always succeed. Before deciding that we could not accept the mediator's proposals for such large increases in banding we examined the arguments with which the mediator supported the recommendations, and I am afraid we felt that they did not answer the arguments which officials have put to you in the past and which I covered during our meeting.

In our view to raise the banding to the degree that the mediator proposed would produce an unbalanced result and, indeed, an inequitable result in relation both to

/ craft ...

F W Cottam Esq.,

craft grades and to other non-craft areas. Qualified assistant painters have already received significant increases in pay in recent years. I find that they moved from Band 6 to Band 10 in 1975 in order to recognise the added work content up to that time. In the Official Side's proposal they are now being offered Band 12 for work which has remained effectively unchanged since 1975. In addition under the Official Side's proposals, up to 20% of the combined group of qualified assistant painters, metallisers and shotblasters who are able to undertake all three tasks are being offered Band 14, notwithstanding the normal rule that the basic pay of a combined job should not be higher than the highest paid element in it. You will be aware that the flexible aspects, including the use of such aids as mobile platforms, are covered already by the Dockyard Efficiency Scheme.

Returning to our basic point that to concede the mediator's recommendations would be to upset the relationship of qualified assistant painters as compared with other categories; if we look at painting work first, this ranges from simple surface preparation and rough brush work at Band 2, to highly skilled painting carried out by craftsmen. Within this spectrum the non-craft groups associated with painting, with quite limited on-the-job training and a relatively simple proficiency test, are able to progress from Band 2 to Band 10 in a short period of three years, whereas a craftsman painter has to complete a four-year apprenticeship. The mediator's proposals would put some 500 non-craft workers associated with painting at 95% of the craft rate. I really do not believe that you can justify this bearing in mind the different requirements in knowledge and skill between craft and non-craft painters.

To look more broadly at other non-craft grades leads one to find that less than 3% of all non-craft grades are

/ in ...

in pay Bands 16 and above. Looking at the full range of jobs covered I again cannot believe that you can justify moving the qualified assistant painters to this level. It is the view of all of those who are knowledgeable in this area that such a move would put these categories out of relation with many of their colleagues doing work of equal or greater requirements and importance.

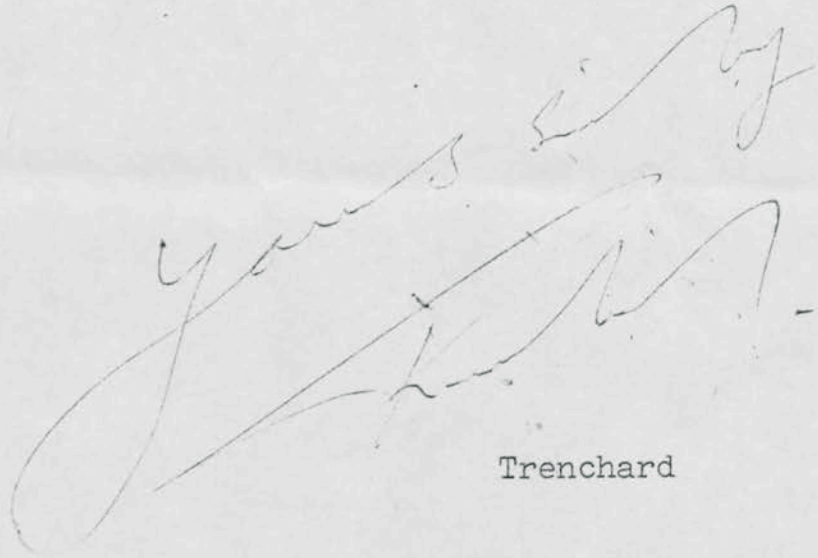
I asked you to consider when we met that it clearly would not be our desire to refuse a mediator's recommendations and we would much rather have not done so, but in view of the position of which I have been advised both before our meeting and since, I believe that the difficult decision we have taken was fully justified. I take the opportunity to confirm that what we are prepared to offer is as follows:

- a. Qualified assistant painters who have achieved the correct level of experience and proficiency to be paid at Band 12.
- b. Metallisers to continue to be paid at Band 12.
- c. Shotblasters to be paid at Band 12.
- d. Qualified assistant painters, shotblasters and metallisers, after appropriate training to undertake work in all these fields, to be paid at Band 14 subject to the numbers not exceeding 20% of the total number in the three groups in any one Dockyard.

I very much hope that you will feel able to accept the offer and end this dispute. As this has been a

/ longstanding ...

longstanding claim on the STJC a copy will be sent to all your colleagues on the Council in accordance with normal practice.

Yours sincerely


Trenchard

PRIME MINISTER

We must discuss early Monday a.m. prior to the 7.30 meeting. I understand that is the intention

cc: Mr. Scholar
Mr. Mount
Mr. Ingham

WATER STRIKE

Mr. King's Office told us this evening that the Chairman of the National Water Council has denied the story that appeared on the tapes that they had formally asked for arbitration. Nonetheless, it cannot be long before they do, and I do not see how either we or they can explain to the public why that is not being done. The difficulty will be getting the unions to accept it. The unions would have to agree that - in terms of the agreement reached at ACAS on 23 January - the two parties have reached "the last resort". The unions would also have to agree on the arbitrator: it is unlikely that they would accept Mr. Buchanan, since he has already ruled out upper quartile equivalence.

I think that there are four main issues which it would be useful to cover at your meeting tomorrow:-

- (i) Although we do get (rather spasmodic) situation reports from the Regional Water Authorities via the NWC and Mr. King, they are confined to the physical consequences of the strike. The Government has throughout been badly informed about what the employers are thinking. That may reflect the NWC's own disarray: but Mr. King's only report was the one he made at Cabinet on Thursday. It is essential that the Government have a clear understanding of the way in which information on the NWC and in the Regional Water Authorities on the handling of the dispute is moving. I think Mr. King should be invited to send a regular written report to his colleagues.

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- 2 -

- (ii) If arbitration fails to get under way, the Government must encourage the National Water Council not to increase their offer. The NWC has described it as final and the unions will be in breach of their agreement. The Government and the NWC must have agreed between them a clear strategy: arbitration, not a further series of pay increases, is the way out of the strike. There is plenty of room for imaginative drafting, especially on the productivity provisions.
- (iii) The CCU is right not to deploy the Service manpower until it is absolutely necessary, and would be widely regarded as such. But our earlier assumption that the strike would be short and dangerous is now looking uncertain: it may be long and cumulative. It certainly seems likely to go on until Wednesday, because that is when the unions next meet. A long strike may offer different options for our withstanding strategy, and those should now be examined. That work should not be left to the CCU, which is low level, leaky and cumbersome. MISC 61, the Official Group, under Peter Gregson's Chairmanship, which looked at withstanding a water strike last year should be asked to report urgently on the possibilities. We must consider seriously the possibility of the NWC's giving notice that those who do not report for work on a particular day will not be reinstated, and recruiting new manual labour, if that could be done while retaining the loyalty of the supervisors.
- (iv) The public presentation is going a little better, but does not yet amount to a concerted effort: Mr. Tebbit's intervention, for instance, was, I think, unexpected. Mr. King's profile is not yet a high one, and the NWC themselves are very low key and have had virtually no effect on their own employees. Under the circumstances, public opinion is holding up remarkably well. But it will not do so if the
/situation

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- 3 -

situation deteriorates rapidly, for instance as a result of bad weather. I have discussed this this evening with Bernard, and we are agreed that the time has come for him to be charged with co-ordinating the whole effort, in consultation, of course, with the Scottish Office, the Welsh Office, and the Department of the Environment.



J.V.

30 January 1983

Local Govt

PRIME MINISTER

Mr R Butler

WATER STRIKE - REGIONAL PRESENTATION

I asked the COI last night to let me have by lunch today their impressions of the regional coverage of the water strike so far. The outcome is dispiriting.

Their reports show overwhelmingly that local coverage is concentrating on the effects; that the employers have not widened their comments to encompass the causes of the dispute or to promote acceptance of the results of mediation; and that the trade unions are the more active.

The outstanding exception is in the North West. George Mann, chairman of the NW Water Authority, is reported as explaining the award and advocating its acceptance on Radio Lancashire and on other stations in Preston, Merseyside (two stations) and Manchester (two stations); and planning to give interviews to the Manchester Evening News; BBC Regional TV; Border TV; and Radio Cumbria and Radio Newcastle.

This workload is positively heroic compared with that of other Regional Water Authority leaders.

Extracts from reports of other regions are as follows:

North East

"Spokesmen for the Northumbrian Water Authority have been asked to comment in most cases and have sought to reassure consumers, give advice on any special arrangements being made and appeal for water to be used sparingly. Denials of some union claims on the effects of the strike have also been made - They have either not been asked, or not sought, to widen the scope of their comments to encompass the causes of the dispute or the reasons for its continuation."

London and South East

"Media coverage has largely concentrated on the physical effects of the strike Statements from Thames and Southern Water Authority officials have been confined to such factual advice as the need to conserve supplies and to boil water in certain districts."

Yorkshire and Humberside

"Yorkshire and Humberside media have concentrated almost exclusively on the likely effects of the water strike on consumers and advice to householders on how to cope. There has been very little comment on the terms or acceptability of the pay offer."

"Nothing has emanated from YWA to promote acceptance of the pay offer except for publication of the NWC sponsored-ad on water supplies for the home and industry."

South West

"Local media coverage since the strike started five days ago appears to have been concentrated on 'round-up' reports on how various communities are coping with particular emphasis on any major problems such as blocked purification plants both Water Authorities have been prominently quoted in relation to these matters but do not appear to be commenting to any great degree on the Water Council's current pay offer. The Water Authorities seem to be adopting a 'low key' approach, possibly because they are not anxious to exacerbate the situation."

East

"On the evidence of newspapers arriving today there is no sign of any PR exercise to convince staff or the public of the adequacy of the offer. The lack of effort appears to apply equally on television and radio."

In spite of this lack of regional effort, newspaper opinion tends to be weighted against the unions, and in favour of the award and an end to the strike. But there is some criticism on the handling of the negotiations.

Interestingly, a Coventry (Massey Ferguson) trade union leader is quoted as saying the strike "is totally immoral".

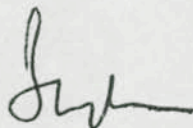
The lessons from all this are:

1. the water authorities need bullying into doing their job as employers; and

2. Ministers and Backbenchers cannot afford to relax their efforts.

I shall get another report from the COI on Monday.

I am copying this to the Home Secretary and the Secretary of State for Environment.



B. INGHAM

28 January 1983

CONFIDENTIAL

Ref. No: ENV(83) 5
27.1.83

The Water Industry Manual Workers'
Pay Dispute

Thursday 27th January 1983

A brief circulated by the
Conservative Research Department

Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000

Enquiries on this brief to:

Mr Tony Hutt

The negotiations are between the National Water Council, who in accordance with the Water Act 1973 negotiate on behalf of Water Authorities and water companies in England and Wales, and representatives of the GMBATE (formerly GMWU), NUPE and T&GWU, who speak for 29,000 manual employees (about half the total workforce).

The water industry manual workers are not a low-paid group. Their overall average weekly earnings are exactly the same as the national average for manual workers: recently £134 a week. Only about 7% of full-time water manual workers are at or below the low-pay threshold.

There is no question of their having fallen behind other groups. In the last three years their earnings have increased by more than the miners'. They have done better than local government workers: and as well as gas and electricity workers.

	<u>Water</u>	<u>LG</u>	<u>Coal</u>	<u>Gas</u>	<u>Electricity</u>
1979/80	21.4%(i)	13%	17%	18%	19(+)%
1980-81	12.3%(ii)	7.5%	9.7%	12.6%	12.5%
1981/83	8.8%	6.9%	7.4%	7.9%	7.4%

- (i) includes comparability settlement (LG comparability award in 1978/79);
- (ii) employers were discouraged from going into arbitration at 10%;
- (iii) gas/electricity incorporate 50% craftsmen; water craftsmen negotiate separately;
- (iv) gas/electricity settlements tend to have hangover effects which increase earnings during the year.

Their work is generally not particularly dangerous or unpleasant. It is worth noting that the great majority of sewer workers are employed by local authorities.

Nevertheless, since April 1982 the unions have attained a level of earnings equivalent to that of some other public utility groups which would put them in the top 25% of manual workers. The claim submitted in September implied a 15% increase in real terms - say 20% allowing for the rising cost of living.

The employers' opening offer in mid November was 4%. This was not ungenerous against the background of the miners' settlement, and compared with December's 4½% settlement in the NHS dispute for this round; probable agreement on 4½% for the local government manual workers; and a 3.8% offer this month to the gas manual workers.

The water industry has a national agreement that either side can refer a dispute to arbitration. When the unions rejected the 4% offer, the employers considered the gap so wide that they proposed to go to arbitration. This the Unions rejected.

ACAS invited both sides to talks on 18 January and this resulted in agreement from both sides to submit to mediation by an independent mediator approved by ACAS.

The mediator's recommendation, arrived at after intensive discussion was:

1. No acceptance of the Union claim to be placed in the top 25% of manual workers;
2. 7.3% increase over 16 months;
3. Increase in the service supplement from 2.5p to 5.2p per hour;
4. Wages should be paid by credit transfer.

The employers have accepted the mediator's recommendation and made an offer accordingly. The Union negotiators have rejected this offer. They are now consulting their members asking them to support this rejection, and meet on Saturday to consider the results. As Tom King said:

"I very much hope that the water workers will accept the offer that has been made. This offer is based on the mediator's recommendation and arrived at after the most intensive discussion. It represents an immediate increase of 7.8% or £10 on present average earnings of £136 per week, at a time when the rate of inflation is down to 5.4% and when so many of their customers may only get very small increases. Furthermore, that increase would be backdated to 5 December."

Meanwhile, Regional Water Authorities are coping well with the serious problems which they face but their service to the public is under severe strain.

Troops remain on standby should the situation demand it.

D - pl check: is this the whole of the interview?
Yes.

BREAKFAST TV - 26 JANUARY 1983

INTERVIEW WITH MR TOM KING

Announcer: The Government's decision to stay out of the dispute was explained by Tom King, the new Environment Secretary. He told John Sargent that using troops remains the last resort.

Mr King: The Water Authorities are seeking to maintain services, in the main they are doing extremely well. I have to say that for some people they are not able to maintain services and for some people there is at the moment very real hardship and very real difficulties.

Mr Sargent: And I hope that everybody can relieve the hardships that we are hearing about now.

Mr King: There is a problem about the use of troops because there is concern as to whether it changes the nature of the dispute and whether it causes more problems at this time. But at this stage, and make quite clear, we shall not impose the use of troops, we shall wait until the Water Authorities make clear to us that there are problems which they are not able to meet and in which they judge that the use of additional help whether in the form of troops will be the sensible way to proceed.

~~u Mr. Schuler ✓
u Mr Mount
u byham. (P)~~

Not my idea of a hard-hitting interview. Why get up early just to say this?

✓
27/1

010

Dr Schuler

✓ No. 10



Prime Minister (2)

Private Secretary to Secretary of State MUS 26/1
for the Environment

Michael

Here is the Press
Notice we issued today.

The King has also given
interviews to BBC (radio
+ TV), ITN, and IRN.

All channels, newspapers,
radio stations have been
called and offered interviews
if available.

John

26.1.83

Press Notice

27

26 January 1983

WATER DISPUTE

TOM KING URGES WATER WORKERS TO ACT RESPONSIBLY

Tom King, Secretary of State for the Environment, today urged water workers to go back to work in order to avoid further damaging effects through continuation of their strike.

Tom King said:-

"I very much hope that the water workers will accept the offer that has been made. This offer is based on the mediator's recommendation and arrived at after the most intensive discussion. It represents an immediate increase of 7.8% or £10 on present average earnings of £136 per week, at a time when the rate of inflation is down to 5.4% and when so many of their customers may only get very small increases. Furthermore, that increase would be backdated to 5 December.

I believe that the offer that has been made is one that should be accepted. I certainly believe that in the light of this level of offer, which people will consider to be fair, there can be no justification for continuing the disruption and distress which is being experienced in some areas.

Despite the difficulties, the water authorities are succeeding in keeping supplies going almost everywhere and in limiting the consequence of burst pipes and failure of treatment. Nevertheless, the continuing distress and inconvenience which these failures can cause to industry, to the public at large, in particular the old and the sick, must quickly be brought to an end."

Press Enquiries: 01-212 4682/3/5/6
Night Calls (6.30-8.00am)
Weekends and Holidays: 01-212 7071

Public Enquiries: 01-212 3434; ask
for Public Enquiry Unit

CONFIDENTIAL

Prime Minister Local Govt

PRIME MINISTER

cc Mr Mount
Mr Ingham

Mus 26/1

CABINET: WATER STRIKE

Mr King will no doubt be reporting. There are three categories of issue for discussion: the prospects for a negotiated settlement, sustaining the strike, and public presentation.

1. The Prospects for a Negotiated Settlement

Many observers expected the parties to reach a settlement yesterday on the basis of the mediator's report. But the negotiators on both sides lack experience of brinkmanship bargaining, and the talks broke down where it is possible that skilled drafting - especially in the formulation of the relation of earnings opportunities to increased productivity - might have done the trick.

That opportunity is lost for the moment. The employers have said that their offer is final, and the unions will be in no position to make a move until they have assessed the outcome of their consultations: they meet on Saturday. Arbitration remains a possibility, but the NWC fear it would prove even more expensive. ACAS are planning no new initiative.

We must wait until next week to assess whether we should encourage the NWC to re-open negotiations, in the light of the degree of support for the strike, and of its effectiveness.

2. Measures to Endure the Strike

We are entering familiar, but difficult, territory. As the strike begins to take effect - with results broadly as predicted by MISC 61, ie a gradual deterioration of water services and an increasing number of interruptions to supply - there will be an increasing number of places where the use of the Services could relieve hardship. But as soon as Service manpower is used, there is a risk that the unions will provide less emergency cover, resulting in greater hardship.

The decision on deployment of troops need not be taken by Cabinet: the CCU meets tomorrow night. But the general principle is clear - we should not hesitate to use Service manpower where the local situation

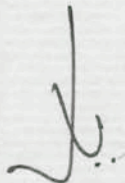
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is of such self-evident gravity that the public would expect us to do so. It looked for a time as if we were close to that position in West Cornwall, where blocked filters were threatening the water supply to over 25,000 people: however, unions have now agreed to make the necessary emergency repairs. But there will be others.

3. Public Presentation

As you know, we have been pressing at every level for Ministers to put the unions on the defensive by challenging the decision to strike when independent mediation has taken place. They are starting to do so; and the NWC is at last beginning to try to persuade their workforce to accept the offer. Both these efforts need to be stepped up between now and the weekend.



JOHN VEREKER

26 January 1983

CONFIDENTIAL



Ref. A083/0285

PRIME MINISTER

Industrial Affairs: Water Pay Dispute

The Secretary of State for the Environment will wish to report on the effects so far of the all-out strike in the water industry in England and Wales, which began at midnight last Sunday (23 January) and on the prospects for a settlement; and the Home Secretary will wish to report on the contingency measures which the Civil Contingencies Unit (CCU) has in hand.

MAIN ISSUES

2. The main issues for consideration would appear to be:
 - (a) the prospects for a settlement;
 - (b) how the effects of the strike are likely to develop;
 - (c) contingency measures, particularly the use of servicemen; and
 - (d) the Government's public stance.

The Prospects of a Settlement

3. As you know, the discussions conducted under the auspices of the Advisory, Conciliation and Arbitration Service (ACAS) led eventually to mediation. The ACAS agreement, which was signed by both parties to the dispute, apparently provided that if mediation failed to lead to a settlement the matter could be referred to arbitration under the terms of the industry's arbitration agreement, which are that either side may unilaterally refer a dispute to arbitration and that the parties will be bound by the outcome.

4. The mediator recommended a general increase of 7.3 per cent over 16 months (ie to April 1984) together with certain improvements in other payments which meant that the offer was worth in total 7.8 per cent to a substantial proportion of the workforce. The mediator firmly ruled out the unions' claim for pay in the water industry to be linked to the upper quartile level of manual workers' earnings generally, which was most helpful to the employers, but suggested instead that the employers should use their best endeavours



to find other means of increasing earnings in the industry; two possibilities which were mentioned in the mediator's report were the more widespread use in the industry of payment by credit transfer rather than in cash, and a development of local productivity schemes.

5. The employers accepted the mediator's report and immediately tabled an offer based on it. After detailed negotiations the trade unions eventually rejected the offer, but have decided to consult their memberships quickly through branch meetings rather than a full-scale ballot. The result of these consultations is expected to be known by the weekend.

6. A reference to arbitration remains a possibility. But despite the agreement referred to above, the trade unions, are reluctant to acquiesce in this since they know that ACAS would appoint the mediator, Mr Buchanan, as the arbitrator and they presumably judge that the outcome would be unlikely to be favourable to them. They might, however, come to be more favourably inclined towards arbitration if the results of the consultation with their memberships shows that opinions are finely balanced.

7. So far the strike has not spread to Scotland, where water workers are local authority employees although they normally negotiate settlements in line with those awarded to water workers in England and Wales. The views of the trade unions are divided. Some of them are advocating an immediate all-out strike from midnight on 27 January. It is therefore possible that the industrial action could spread to at least parts of Scotland, if there is no early resolution of the dispute in England and Wales.

The Effects of the Strike

8. As expected the effects of the strike are being felt gradually. So far some 6,000 properties are without piped water, although all have access to alternative supplies. Several million people have been advised to boil water by the water authorities, in many cases because the purity of the water cannot be guaranteed rather than because it is known to be contaminated. Some work has been



undertaken by strikers to restore water to hospitals and old peoples' homes following burst mains in accordance with the provisions of their closed shop agreement, ie that they will avoid serious hardship or dangers to public health during industrial action. But the unions are reported to be interpreting threats to public health in a narrow sense. No serious effects on industry had been reported during the first 48 hours of the strike.

Contingency Measures

9. At present the 12,700 servicemen needed for Operations KEELMAN (Great Britain) and FOOTWAY (Northern Ireland) are at the following notice to move, authorised by CCU at their meeting on 21 January:

Main Bodies	24 hours
Reconnaissance Parties, Mobile Emergency Repair Teams (4) and Construction Groups (2), to assist with any major repairs	6 hours or less

The CCU is to meet again at 6.00 pm on 27 January to take stock of the situation and in particular to review service notice. The timing of any deployment of servicemen would clearly require very careful consideration. The Secretary of State for the Environment does not think that the water authorities are likely to seek service assistance quickly, because the effect of doing so would be to exacerbate the dispute and because so far management seems to be coping broadly as expected.

The Government's Public Stance

10. Much of the Press reporting so far has concentrated on the effects of the strike where these have been relatively dramatic. The employers' offer has been reported, but there has been little analysis of the unreasonableness of the unions' claim and little comment on their unwillingness to accept the outcome of mediation or to abide by their existing agreements on arbitration. These are matters for the employers to take the lead on publicly. The Secretary of State for the Environment has been making vigorous efforts to correct some of the worst imbalances; and there has also been extensive unattributable briefing. But there are clear dangers in the Government adopting too high a public profile, particularly while consultations with the workforce are under way.



HANDLING

11. You will want to invite the Secretaries of State for the Environment and Employment to report on the strike and on the prospects for a settlement; and the Home Secretary to summarise measures in hand in the CCU.

CONCLUSIONS

12. Depending on the discussion you may wish to reach conclusions on:

- i. whether the Cabinet is content with the CCU's contingency arrangements; and
- ii. what the Government's stance should be.

A handwritten signature in dark ink, consisting of the letters 'R' and 'A' in a stylized, cursive script.

ROBERT ARMSTRONG

26 January 1983

CONFIDENTIAL

local Govt

PA
MR SCHOLAR

cc Mr Mount
Mr Ingham

CCU: WATER WORKERS

This morning's meeting of the CCU, at official level, was not a particularly significant event. We received a fairly useful round-up of the effects of the water strike so far, which illustrated the difficulty of keeping up to date with what is actually going on in the regions; and we agreed that the Home Office would take urgent steps to get its stockpile of emergency fire service equipment ready for use. The pumps and hoses in particular could help hospitals by offering an alternative source of supply in the event of a burst main.

There was no discussion of the point you put to Mr King's Private Office this morning about the need for a co-ordinated presentational effort; and the DoE representatives were at a low and technical level. I think you will have to continue to press Mr King's Private Office to send it to you direct.

I will offer a brief tonight in preparation for tomorrow's Cabinet meeting covering the main decision points: the handling of the negotiations, deployment of the troops, and public presentation.



JOHN VEREKER

25 January 1983

CONFIDENTIAL

PRIME MINISTER

STATEMENT ON THE WATER WORKERS DISPUTE

Mr. King made a low key statement in which he was at pains to avoid prejudicing the current negotiations. The Speaker limited questions to about 30 minutes. Mr. Kaufman said the situation was grave. The present inconvenience to the public could soon turn into a serious hazard. The strike was solely the result of Mr. King's meddling. In November the employers had intended to offer 6% and had reduced this to 4% following pressure from Mr. King. This was the direct cause of the breakdown in negotiations. The Secretary of State had tried for some months to pressure the industry into a settlement below 5% but now he was saying that such an offer was reasonable; he should not have vetoed the November offer in the first place. Mr. Kaufman sought an assurance that the employers would now be allowed to settle without interference from the Government. The health and well-being of the people were paramount. Mr. King's statement was provocative.

Mr. King said he accepted the gravity of the situation. Events in November had not been as simple as Mr. Kaufman had maintained. The unions claim in September implied a 15% increase in real terms or about 20% allowing for the cost of living, and had included a claim for the long term. The employers had offered 4% or arbitration under their long-standing national agreement. He hoped that the unions would reach agreement this evening under the procedure agreed on Friday. The Friday agreement had been signed by both parties and witnessed by the Chairman of ACAS. The recommendations of the mediator for an increase of 7.3% over 16 months plus another 0.5% from an increase in the 5-year service supplement were not unreasonable in the circumstances.

In questions, Mrs. Shirley Williams suggested that a small improvement in the offer should be made in return for a no strike agreement. To this Tom King said that an agreement

/had been

had been reached on Friday and that the important thing was for agreements to be honoured. Bob Cryer tried to contrast the Government's attitude to arbitration in this case with its reluctance to accept arbitration in other disputes, such as the Civil Service and the steel industry, but most of the Opposition questions simply deplored the effect of the strike and implied that in a civilised country it was absurd for people to have to boil their water. To this Mr. ~~Kaufman~~ ^{King} said that he thought the mediation agreement reached on Friday was a civilised procedure, signed by both parties. The problems faced by the public should not be exaggerated. It was good sense to show moderation since this ^{would} ~~will~~ lessen the load on filtration plants, but only 2,000 houses were without supply today. He was unable to say how many were without supply on a normal day, but generally there was one major main failure and 70 minor burst mains everyday. He also managed to correct the mistaken view, voiced by some Opposition Members, that many of the workers involved in the dispute were sewerage workers who "spent their day wading through raw sewage"; most sewerage workers were employed by local authorities. Among Conservative backbenchers, Michael Morris suggested that private sector workers should be brought in to deal with the situation, and William Madel suggested that there might be scope for productivity payments.

STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT - 24.1.83
WATER PAY DISPUTE

Mr Speaker, I wish, with permission, to make a statement about the industrial action in the water industry.

The House will be aware that from last Monday night the unions representing manual workers in the water industry imposed an immediate ban on overtime and call out for emergencies.

They also announced ^{that} with effect from midnight last night ~~that~~ there would be a national strike.

The latest reports indicate that there have been some adverse consequences arising from last week's industrial action, which have affected normal water supplies in a number of local areas.

Where it has not been possible to repair burst pipes, a supply has been maintained by stand-pipes or tankering as appropriate.

In the South West, Manchester and parts of Wales the Water Authority has advised the public, as a precaution, to boil any water to be used for drinking or cooking.

Reports at midday today indicate that some 2,000 properties are without their normal supply.

Water Authorities have dealt this morning with bursts in major water mains in Eltham in South London and in the centre of Coventry.

There have been no major pollution incidents reported.

My Department is in close touch with the reports from the Water authorities, who are seeking to maintain adequate services to their customers.

As I informed the House last Tuesday, contingency steps have been taken by the Government in the event of water undertakers asking for assistance to maintain ^{essential} ~~existing~~ services.

Mr Speaker, the House will be aware that intensive discussions have been taking place under the auspices of ACAS, in an attempt to resolve this serious dispute.

On Friday agreement was reached on a procedure involving negotiations under an independent chairman appointed by ACAS.

It was also agreed that his powers should further extend to those of a mediator so that he could recommend terms for a satisfactory

settlement.

At that stage

These talks began on Saturday morning./the employers increased their offer.

That offer was rejected and after further discussions the independent chairman, acting then in his role as mediator made recommendations for a settlement.

The main recommendation was for an increase of 7.3% over 16 months plus an "improvement" in the service supplement.

The employers have indicated that these recommendations are broadly acceptable.

I understand that the Trade Union side of the NJIC is meeting this afternoon to consider these recommendations and that the full NJIC will meet this evening.

I very much hope that it will be possible for agreement to be reached at this evenings meeting and thus to end at the earliest moment the industrial action in the water industry which could otherwise have ^{increasingly} serious consequences ^{all over} ~~for~~ the ~~whole~~ country.

another 0.5 per cent from an increase in the five-year

Metropolitan Police (Reorganisation)

3.30 pm

Mr. Frank Dobson (Holborn and St. Pancras, South): On a point of order, Mr. Speaker. Has the Home Secretary told you that he wishes to make a statement about the reorganisation of the Metropolitan Police?

Mr. Speaker: I can give a reply at once. The Home Secretary has not said that.

Water Industry (Dispute)

3.31 pm

The Secretary of State for the Environment (Mr. Tom King): With permission, Mr. Speaker, I shall make a statement about the industrial action in the water industry.

The House will be aware that from last Monday night the unions representing manual workers in the water industry imposed an immediate ban on overtime and call out for emergencies. They also announced that with effect from midnight last night there would be a national strike.

The latest reports show that there have been some adverse consequences arising from last week's industrial action, which have affected normal water supplies in a number of local areas. Where it has not been possible to repair burst pipes, a supply has been maintained by stand-pipes or tankering as appropriate.

In the south-west, Manchester and parts of Wales, the water authority has advised the public, as a precaution, to boil any water to be used for drinking or cooking. Reports at midday today show that about 2,000 properties are without their normal supply. Water authorities have dealt this morning with bursts in major water mains in Eltham in south London and in the centre of Coventry. No major pollution has been reported.

My Department is in close touch with the reports from the water authorities, which are seeking to maintain adequate services to their customers. As I informed the House last Tuesday, contingency steps have been taken by the Government in the event of water undertakers asking for assistance to maintain essential services.

The House will be aware that intensive discussions have been taking place under the auspices of ACAS in an attempt to resolve this serious dispute. On Friday agreement was reached on a procedure involving negotiations under an independent chairman appointed by ACAS. It was agreed also that his powers should further extend to those of a mediator so that he could recommend terms for a satisfactory settlement. The talks began on Saturday morning. At that stage the employers increased their offer. It was rejected. After further discussions the independent chairman, acting then in his role as mediator, made recommendations for a settlement. The main recommendation was for an increase of 7.3 per cent. over 16 months plus a further 0.5 per cent. from an increase in the five-year service supplement. The employers have said that these recommendations are broadly acceptable.

I understand that the trade union side of the National Joint Industrial Council is meeting this afternoon to consider these recommendations, and that the full NJIC will meet this evening. I hope that it will be possible for agreement to be reached at this evening's meeting and thus to end, at the earliest moment, the industrial action in the water industry, which could otherwise have increasingly serious consequences all over the country.

Mr. Gerald Kaufman (Manchester, Ardwick): Is the right hon. Gentleman aware that the circumstances are potentially exceptionally grave? Millions of households are already being seriously inconvenienced and many more could face far worse hazards unless the dispute is settled quickly.

Is the right hon. Gentleman further aware that all of these lamentable developments are the result, specifically

Mr. Raison: Her Majesty's Government's policy in Angola is to concentrate on English language teaching. A small team of English language teachers was appointed in 1981 to assist the National Language Institute in Luanda. In addition, small items of equipment are provided to Angola under the heads of mission gifts scheme.

Mr. Ginsburg: I join hon. Members in congratulating the right hon. Gentleman and also welcome his reply. Will he not agree that there is scope for further aid to Angola, especially if the problem of the seven British detainees can be resolved? Will he consider that the cost to the Angolan Government of keeping seven British detainees in prison for 18 years must be considerable and that it would be within the resources of this country to make such a sum available if the problem could be satisfactorily resolved?

Mr. Raison: I understand the hon. Gentleman's concern for his constituent. I do not think that it would help the prisoners if we were to link our aid programme directly to the question of their future treatment.

Mr. Sever: In welcoming the Minister to his new responsibility on the Front Bench, may I apologise for the absence of my hon. Friend the Member for Greenwich (Mr. Barnett) who is indisposed. Will the Minister confirm that, prior to his departure for discussions taking place later this week with colleagues in Africa on the future of that continent's development, he will announce to the House that it is no longer his intention, as reported, to stay in South Africa en route to the talks?

Mr. Raison: I am greatly looking forward to my visit to southern Africa this week. The fact is that I felt it my duty to be here to answer questions. The only way in which I could answer questions today was to catch the particular aircraft on which I am flying.

Mr. Proctor: May I add my congratulations to my right hon. Friend on his new appointment? Further to the supplementary question raised by the hon. Member for Dewsbury (Mr. Ginsburg), is my right hon. Friend aware that a constituent of mine is also incarcerated in Angola? Will he draw the attention of other Foreign Office Ministers to the urgency of a meeting between our ambassador in Angola and President Dos Santos at the earliest opportunity?

Mr. Raison: I understand my hon. Friend's concern for his constituent. We are currently seeking clemency for the prisoners at the highest level in the Angolan Government.

India

48. **Mr. Greville Janner** asked the Secretary of State for Foreign and Commonwealth Affairs what funds were made available for the Republic of India in the years 1981 and 1982, respectively; and how much he intends to make available in 1983.

Mr. Raison: British aid is planned by financial rather than calendar year. For the financial year 1980-81, gross aid to India totalled £141 million and for 1981-82 £102 million. For the current financial year, I expect gross aid to be about £111 million.

Mr. Janner: I join in welcoming the Minister to his comparatively peaceful new life. Has he had time to acquaint himself with the awful tragedy of the November cyclone in the state of Gujarat, which killed hundreds of

people, destroyed thousands of cattle and ravaged the countryside? What specific help is he proposing to give to former Chief Minister Babubhai Patel and his team in coping with the disaster? What assurance can he give to citizens of Gujarati origin in Leicester and elsewhere that he is aware of the problem and will help where possible?

Mr. Raison: I am aware of the sad consequences of the recent cyclone in Gujarat. The Government of India did not ask for international assistance. However, the ODA's disaster unit arranged through Oxfam for the local purchase of up of £23,000 worth of roofing materials.

Mr. Sever: Will the Minister confirm that there are immediate proposals in hand at any time, when such a disaster occurs, for relief to be offered to requesting countries? Will he investigate the possibility of making advances to countries that have suffered from disasters without their necessarily having to ask for aid?

Mr. Raison: There is a system, I understand, by which immediate disaster relief is made available, I take the hon. Gentleman's second point. Nevertheless, we must be sure that Governments concerned want aid before pushing it on them.

Mr. Deakins: Is the minister happy that our aid to India, with a population of 700 million, should be so disproportionate when compared with the aid that we propose to give to the 1,800 people in the Falkland Islands?

Mr. Raison: I believe that both programmes are entirely necessary. What we are doing in the Falkland Islands is right, but it is proper that much the largest proportion of our aid programme should go to India.

Employment (United Kingdom)

49. **Mr. Welsh** asked the Secretary of State for Foreign and Commonwealth Affairs what consideration his Department gives to the effect on employment in the United Kingdom when deciding on overseas aid expenditure.

Mr. Raison: The basic aim of our aid programme is to assist developing countries in their efforts to raise living standards. In carrying out the programme, we seek to ensure that aid is used where possible in ways that are also of benefit to Britain, including employment.

Mr. Welsh: Is the Minister aware that there seem to be no figures for employment created in this country as a result of overseas aid? Would he agree that that is wrong? The country should know that investment overseas creates employment in this country. Will he produce the figures to show the nation the good that we obtain from helping our brothers and sisters through overseas aid?

Mr. Raison: There is no doubt that the amount we spend on overseas aid produces considerable employment in this country. I am advised that it is technically difficult to quantify the figure precisely.

Later—

Mr. Kenneth Carlisle: On a point of order, Mr. Speaker. During Trade Questions, eight Opposition hon. Members were not present to ask their questions. Is that not disrespectful, both to the Chair and the House, and a waste of taxpayers' money?

✓ MS

TOM KING (SECRETARY OF STATE FOR THE ENVIRONMENT)

Transcript from BBC Radio 4, Today Programme. 24 January 1983.

PRESENTER: JOHN TIMPSON. In our radio car is the Environment Secretary, Mr Tom King. Good morning Mr King.

KING: Good morning.

TIMPSON: Well now I don't know if you heard Mr Kaufman, your opposite number, speaking earlier in the programme; but he was saying that the trouble was caused by your meddling in this dispute last November, when the National Water Council wanted to make an offer of 6% and you rang them up and told them not to. Now is that the case?

KING: The background to this dispute is that the employers - and I think everybody has forgotten this - actually what the employers offered was 4% and, at the same time, they did actually offer arbitration because, as I think people now realise, there are sort of 2 claims muddled up in this dispute: one is what should be the pay claim for this year and the other is whether the whole water pay situation should be on an entirely different basis. And the employers, at that time, offered arbitration. Obviously they talked to me about it because that's always been the case in the water industry, they've talked to successive Governments.

TIMPSON: But is it not a fact that if you had not talked to them they would have been happy to have given 6% at that time?

KING: I don't know. They reached their final decision and they decided to offer the basis that they would and, in the end, they have to reach their decisions on that but, obviously, we take an interest and I make no secret of it.

TIMPSON: Now what about this s trike ballot, now. It was also

suggested by Mr Kaufman that this is rebounding on the Government, that you've been urging them to take these ballots before going on strike and, having done it and decided on the strike, it's very difficult to get out of it?

KING: Well I think there are certain aspects of this ballot on which I don't think I'd like to comment at this moment but which may come to light a bit later on. But I think this is actually tackling the wrong of this because my hope now is that, following the very extended mediation right over the weekend and the very extensive meetings, the employers and the unions are going to meet again - and firstly, obviously, the unions have to meet again - and I very much hope, now, that they will feel that the offer that the mediator has made - after studying, in depth, their claim - that this is a reasonable offer and that it will be possible to end the industrial action. Because your broadcast has already shown that while it's only happening in a few places, it can cause real inconvenience and difficulties for people and I hope people will feel that, in the light of the claim and the offer that is now being made and the award by the mediator, that it really can't be justified to carry on with industrial action.

TIMPSON: But it would be an extremely unpleasant thing to be happening in the run up to an election; to have the possibility of this boggy of sewage in the streets?

KING: Well, if I may say so, I think that's all talking too politically at the moment. I'm concerned about people and I'm concerned, firstly, I'm certainly concerned to see that the water workers do get a fair deal. I'm also concerned to see that their customers get a fair deal - particularly industry which is the biggest customer, of course, for water - and I am concerned that industrial action, if it hits industry at the present time,

could be very damaging to them at a time when so many companies, in the present world recession, are fighting to stay competitive. The last thing ~~that~~ they want is a dispute of this kind and I hope ~~that~~ the water workers, who do a very good job and have a high record of service to the public, will recognise that, in these difficult times, the offer that's been ~~made~~ made to them is not unreasonable and certainly not one against which massive industrial action could be justified.

TIMPSON: But of course, one could make comparisons with the NHS dispute where the employers, there, stayed very firm and didn't increase the offer at all for a long while; whereas we now have certainly 2 little increases (one after the other) and it might give the impression that if you can get 2, you can get 3 or 4?

KING: You can make all sorts of comparisons. I'm currently concerned to deal with this issue on its merits and I think the less outside comparisons or factors or comments that are made, the more helpful it will be, now, to try and get a settlement. The important thing, now, is that the unions will meet today; they will consider the proposals that have been put by the mediator, his determination of their discussions over these many, many hours; and I hope that it will be felt, on balance, that industrial action can now be suspended and stopped. Because I really don't think, faced with the sort of offer they've had, that, possibly, it could be justified to take industrial action with the sort of consequences that could follow.

TIMPSON: But you say that we mustn't make comparisons, Mr King, but it's comparisons which are the cause of this trouble because the water workers are comparing their pay with the pay in other service industries?

KING: Well your suggestion is that, actually, they've done rather better already than some of the settlements that have been made earlier in the year

and obviously you can make that argument.

TIMPSON: No, I was comparing them with the comparison that they 're making; that their 15% will only bring them up level with other workers?

KING: Well it depends what other workers. They are, at the moment, earning just about on average, national earnings.

I don't want to get into the disputes and arguments today about this because they will have to think about their position.

But they will know the facts very well and people know the sort of levels of pay that are involved and, of course, it's been announced, last night, the sort of increase that the mediator was talking about. Now they've got to reach their decisions on this. I'm willing to have all the post mortems in the world at a later stage. Today I'm concerned to see this strike threat removed so that people aren't concerned - either in their domestic lives in their homes or in industry - about the possible damage that this could do.

• TIMPSON: Mr King, thank you very much.

KING: Thank you.



① Memo of Intimidation
reached us week at ACAS ✓
② Buchanan's Report ✓

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

24 January 1983

Dear Michael,

WATER INDUSTRY DISPUTE - STATEMENT TO HOUSE OF COMMONS

I enclose a statement on the water industry dispute which my Secretary of State proposes to make this afternoon. Given the nature of the situation with events moving rapidly it is, of course, possible that there will be further changes before 3.30 pm.

the Chancellor of the Exchequer,

I am copying this to the Home Secretary, the Leader of the House of Commons, the Paymaster General, the Secretaries of State for Employment, Scotland and Wales, and to the Chief Press Secretary at No 10.

yours sincerely
Helen Ghosh

MRS H GHOSH
Private Secretary

WATER PAY DISPUTE

Mr Speaker, I wish, with permission, to make a statement about the industrial action in the water industry.

The House will be aware that from last Monday night the unions representing manual workers in the water industry imposed an immediate ban on overtime and call out for emergencies.

They also announced with effect from midnight last night that there would be a national strike.

The latest reports indicate that there have been some adverse consequences arising from last week's industrial action, which have affected normal water supplies in a number of local areas.

Where it has not been possible to repair burst pipes, a supply has been maintained by stand-pipes or tankering as appropriate.

In the South West, Manchester and parts of Wales the Water Authority has advised the public, as a precaution, to boil any water to be used for drinking or cooking.

Reports at midday today indicate that some 2,000 properties are without their normal supply.

Water Authorities have dealt this morning with bursts in major water mains in Eltham in South London and in the centre of Coventry.

There have been no major pollution incidents reported.

My Department is in close touch with the reports from the Water authorities, who are seeking to maintain adequate services to their customers.

As I informed the House last Tuesday, contingency steps have been taken by the Government in the event of water undertakers asking for assistance to maintain existing services.

Mr Speaker, the House will be aware that intensive discussions have been taking place under the auspices of ACAS, in an attempt to resolve this serious dispute.

On Friday agreement was reached on a procedure involving negotiations under an independent chairman appointed by ACAS.

It was also agreed that his powers should further extend to those of a mediator so that he could recommend terms for a satisfactory

ttlement.

At this stage

These talks began on Saturday morning./the employers increased their offer.

That offer was rejected and after further discussions the independent chairman, acting then in his role as mediator made recommendations for a settlement.

The main recommendation was for an increase of 7.3% over 16 months plus an "improvement" in the service supplement.

The employers have indicated that these recommendations are broadly acceptable.

I understand that the Trade Union side of the NJIC is meeting this afternoon to consider these recommendations and that the full NJIC will meet this evening.

I very much hope that it will be possible for agreement to be reached at this evenings meeting and thus to end at the earliest moment the industrial action in the water industry which could otherwise have serious consequences for the whole country.

RECOMMENDATIONS OF THE MEDIATOR IN A DIFFERENCE BETWEEN THE TWO
SIDES IN THE NATIONAL JOINT INDUSTRIAL COUNCIL FOR THE WATER SERVICE

- 1 By minute dated 21 January 1983, I was appointed by the Advisory, Conciliation and Arbitration Service to act as mediator in the above difference with the following powers and terms of reference:
"to assist the parties to negotiate a satisfactory settlement having full regard to the NJIC trade union side 1982 claim on pay and conditions and - in particular - that part of the claim seeking an improvement to the relative earnings position of water workers in the national manual workers earnings league".

- 2 I met the parties jointly and separately at the offices of the National Water Council at 1 Queen Anne's Gate, London SW1 on 22 and 23 January 1983. They submitted to me oral and written evidence and I was asked to direct myself to two aspects of the claim which the trade union side had made, namely:
 - (a) an increase in rates of pay in line with "the going rate" of settlements and inflation; and
 - (b) an increase in average gross earnings to bring water workers into the upper quartile of the manual workers' national earnings league.

- 3 In view of the urgency which attaches to this matter, I will not summarise the evidence, but proceed at once to consider my recommendations.

- 4 In framing my recommendations I took most careful account of all the evidence that was submitted by both sides on the claim. I deal first with that part of the claim seeking an improvement to the relative earnings position of water workers in the national manual workers earnings league. I noted the trade unions' demonstration that the position of their members vis-a-vis workers doing comparable jobs in the gas and electricity industries had deteriorated very markedly between 1975 and 1978, and again, after 1979. In 1979, the water workers recovered lost ground in their relative position when they received a pay increase, which included a comparability payment amounting to 8%. The causes of the subsequent decline lie in the wage movements which occurred in the gas and electricity industries very shortly after the 1979 water workers' increase.
- 5 One can readily appreciate that the existing position in relation to the comparator workers should provide the basis for a deeply held sense of grievance, and for efforts to have the position improved.
- 6 However, the circumstances prevailing in 1979, which allowed for the provision of a comparability exercise do not apply now; conditions in the labour market have changed to an unparalleled extent as large scale unemployment has made its impact on terms and conditions of employment - particularly the rate at which these terms and conditions have changed. Thus, I consider the water workers - through this adverse movement in relative position - to have been the victims of wage inflation elsewhere in the economy, on the one hand and the recession, on the other.

7 But, having said this, I do not think it would be right to make a recommendation along the lines the trade union side sought; the changes that I have referred to above are facts of life and the proposal that the clock should be put back for a certain group of workers is unsound. Thus, I do not recommend that there should be any increase to bring water workers into the upper quartile of the manual workers' national earnings league; nor do I recommend that there should be any increase on this part of the claim which would restore the relative position of water workers in the said earnings league to some previously prevailing position.

8 Nevertheless, I recognise that a deeply held grievance exists, and that it will continue to be an important influence on the attitude of the trade union side. I think the employers' side too, should recognise that this is a problem which will not go away, unless there is an understanding, positive, and determined response on their part, with a view to increasing earnings opportunities for the manual workers in the Water Industry. There are already certain possibilities which the sides could explore and rapidly proceed to implement; e.g. administrative efficiencies by moving to payment of wages by credit transfer, and development or extension of performance-related bonus schemes. I recommend that they now do so as a matter of great urgency.

9 I turn now to "the going rate" aspect of the claim. I consider that there are positive advantages for the parties in moving their settlement date from the first Sunday in December (as currently applies) to the first Sunday in April. Thus, the rate of increase that follows is recommended to run for 16 months with effect from

5 December 1982. On this basis, and in response to the union side's claim for an increase in line with "the going rate", I recommend an increase of 7.3%. I expect this recommended increase to be fed through to other supplementary payments, in line with existing national and/or local agreements. The increase of 7.3% is exclusive of the service supplement which I recommend should be at the rate of the employers' side's last offer, i.e. 5.2p per hour.

10 Having made the above recommendations, I consider that I have discharged my duties as mediator to the parties on the one hand, and to ACAS, who appointed me, on the other. I urge the parties to give the most earnest consideration to what I have recommended.

2.5 p per hour
→

I L BUCHANAN

MEDIATOR

23 January 1983

Advisory, Conciliation and Arbitration Service

11-12 St James's Square, London SW1Y 4LA

Telephone Direct Line 01-214-8016
Switchboard 01-214-6000

J M Y Dickens Esq
Employers' Side Secretary
National Joint Industrial Council
for the Water Service
1 Queen Anne's Gate
London SW1H 9BT

Your ref:

Our ref:

21 January 1983

Dear Mr. Dickens ✓ D 21/1

1982/83 PAY AND CONDITIONS OF SERVICE CLAIM

I am attaching copies of the agreement signed by the Chairmen and Secretaries of the two sides of the NJIC at ACAS this afternoon.

As I indicated to you when we met this afternoon I am now writing formally to summarise the points which I, as Chairman of ACAS, made at our meeting.

I should emphasise that the agreement which you have signed is between the employers and the trade unions. But it has been under-written by ACAS and to that extent ACAS is associated with the agreement.

Clause 3

It is only necessary to explain that any recommendations of a Mediator are not binding. They may be accepted by the parties as they stand, rejected or amended by agreement between the parties as a result of further negotiations.

Clause 4

This clause was inserted at the unions' request to lay emphasis on the importance that the unions attach to the claim which seeks improvement to the relative earnings of water workers in the national earnings league. It goes without saying that the employers will have the right to table their full response to this claim both during negotiations and with the Mediator.

Clause 5

The first sentence of this clause registers the total commitment of both sides to try to reach an agreement on the unions' claim through direct negotiations. The Mediator will assist in any way he can. I am sure that everybody here would accept this as the preferred course because we do face a potentially damaging dispute which must be stopped. I therefore urge this course upon the parties.

The second sentence is an acceptance in general terms by both sides that there are procedural obligations made and contained in the written Constitution of the NJIC and that these will be observed.

J M Y Dickens Esq

The third sentence of the Clause deals specifically with the possibility of arbitration - the final stage in the procedure. It emphasises that arbitration is the course of last resort which means that it will only be used when negotiations properly carried out (in this instance with the help of the Mediator) have failed to produce an agreement. I consider that the sentence is absolutely clear. In the circumstances of such a disagreement either party would have the right to seek arbitration and the other would have the obligation to respond.

In the absence of any intervention by either side when I was making these points the parties have signified their agreement with them.

Needless to say, ACAS remains available to assist the parties in any way if necessary.

Yours sincerely,
J. P. Lowry

J P LOWRY

Advisory, Conciliation and Arbitration Service
11/12 St James's Square
London SW1Y 4LA

Reference: ACAS 2C/114/1983

MINUTE OF APPOINTMENT

A difference having arisen between the two sides of the National Joint Industrial Council for the Water Service; the Advisory Conciliation and Arbitration Service appoints Mr I L Buchanan to act as mediator with terms of reference and powers as set out in the attached agreement.

The Service further appoints Mr A J Lord to act as Administrative Assistant.

SIGNED on behalf of the Advisory, Conciliation and Arbitration Service, this 21st day of January 1983.

C L PARISSON

AGREEMENT

WATER INDUSTRY DISPUTE

Arising from discussions held under ACAS auspices between representatives of the employers and representatives of the trade union side of the National Joint Industrial Council for the Water Service it is agreed as follows:-

1. At the request of ACAS a special meeting within the purview of the NJIC shall be convened on Saturday, 22 January in order that negotiations may be resumed on the 1982/83 pay and conditions of service claim of the trade unions.
2. This special meeting shall be opened and chaired by an Independent Chairman appointed by ACAS. He will be Mr I L Buchanan.
3. The Independent Chairman shall first give guidance to the negotiators. His powers shall further extend to those of a mediator so that he may recommend terms for a satisfactory settlement.
4. The terms of reference of the mediator shall be to assist the parties to negotiate a satisfactory settlement having full regard to the NJIC trade union side 1982 claim on pay and conditions and - in particular - that part of the claim seeking an improvement to the relative earnings position of water workers in the national manual workers earnings league.
5. The parties commit themselves to bargain in good faith with the firm intention of reaching agreement through direct negotiations assisted, as necessary, by the mediator. The parties acknowledge all the procedural rights and obligations set out in the constitution of the NJIC. In this connection the parties will only exercise their right to invoke the final stage of the procedure in the last resort.

SIGNED ON BEHALF OF THE EMPLOYERS' SIDE

SIGNED ON BEHALF OF THE TRADE UNIONS SIDE

I. Hill

 CHAIRMAN

Mr Leaking

 CHAIRMAN

James Dickson

 SECRETARY

Edwards

 SECRETARY

DATE: 21, January, 1983

DATE: 23 January 1983

WITNESS: *Pat Lowry*

 J P LOWRY
 CHAIRMAN

ADVISORY, CONCILIATION AND ARBITRATION SERVICE

DATE: 21 January 1983

COVERING CONFIDENTIAL

M/fax to Chegners please.
a box

cc J.V.
local Govt.



Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

I have asked Mr King's

My ref:

Your ref:

21 January 1983

Please, too
see John
Verheer's
note (attached).

Office to keep us in touch
over the weekend with any
substantial developments (although not to
bother you if the radio/TV are getting the
same information almost instantaneously)

Dear Michael,

MUS 21/1

I attach a note by officials in this Department reporting on the latest developments in the Water Industry pay dispute. My Secretary of State has not yet had a chance to see it but it is also being sent to him this evening.

I am sending copies of this to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence and Employment, Scotland and Wales, the Paymaster General and to Sir Robert Armstrong.

Yours sincerely,
Helen Ghosh

MRS H GHOSH
Private Secretary

CONFIDENTIAL

WATER SITREP 4.00 P.M. (FRIDAY 1983)

Effects so far for call-out and overtime ban etc.

1. As would be expected, the call-out and overtime bans have so far had no significant effects on the public. Un-repaired bursts have caused a small number of householders and others to be without a supply of water overnight. But there are no reports of serious breakdown.

Operations over the week-end

2. Weekend shiftwork by manuals is continuing in some areas but more generally, and especially in the North West, Yorkshire and Northumbria a backlog of repair work is likely to build-up.

The Dispute

3. Assuming the two sides can agree this evening procedures drafted by ACAS (arbitration remains a potential difficulty), negotiations will begin tomorrow under an independent, ACAS-nominated Chairman. He will mediate at the point when no further progress can be made, and if his recommendations are not mutually acceptable it is intended that arbitration under the terms of ^{the} national agreement (publicly supported by ACAS) should follow. This process may well last through at least into Sunday.

4. It remains important that public statements over the weekend should not in any way imply Government involvement in the negotiations, or suggest that it is Government which finances the pay settlements (the cost falls wholly on water charges).

5. Meanwhile we must assume that the strike is on.

Emergency Cover

6. The trade unions have said they will maintain emergency cover to protect health and safety. For the most part this is being interpreted narrowly: there tends to be argument at local level about maintaining any water supply other than to a hospital or old people's home. But this is variable.

[NOT FOR USE AT THIS STAGE: water authorities have told the trade unions in explicit terms of a number of other possible dangers to health and safety including e.g. inadequate water treatment, lack of mains pressure for fire fighting/sprinklers, sewer blockages, flooding of basements from burst mains etc].

Supervisors

7. NALGO have issued instructions to their membership to work normally. In some areas there are signs that supervisors may undertake extra duties, especially in emergencies, but in most areas the mood of the supervisors is not really predictable. Adverse reaction to talk of the use of troops has been reported.

Liaison at local level

8. All water authorities report that they have established satisfactory liaison with the military, with local authorities and with health authorities.

Local publicity

9. There is considerable press interest and the material on saving water and making it safe to drink is being printed in some local papers this weekend; particularly in the North West.

CONFIDENTIAL
DEPARTMENT OF THE ENVIRONMENT

Scotland

10. The Scottish employers have given their water workers an unqualified assurance that they will match any offer to the unions representing manuals in England and Wales. It now seem unlikely therefore that there will be industrial action in Scotland next week.

Reporting on Operations/ Developments

11. We shall receive telephoned reports from NWC over the week-end, and key people (Mr Bonsall's minute of yesterday) will be kept informed.

Co-ordination of Press Officers

12. Departments concerned in the water emergency have nominated press officers to deal with enquiries. This network includes DOE, HO, MOD, MAFF, DHSS, Dof I, No.10, DEm, DEn. The list of 'standard' questions and answers has been circulated to them all.

Co-ordination of Ministerial Consultation

13. CU have circulated a list of telephone numbers etc of private secretaries principally concerned.

JACK
J A L GUNN

21 January 1983

Prime Minister 2

MCS 21/1

MR SCHOLAR

cc Mr Mount
Mr Ingham
Mr Wolfson

DEVELOPMENTS IN THE WATER WORKERS' DISPUTE

No doubt Mr King will be reporting to the Prime Minister over the weekend whatever may prove to be the outcome of the discussions at ACAS; meanwhile the Prime Minister may find it helpful to have this account of the position reached so far.

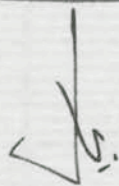
The negotiations which ACAS had been holding separately with the employers and the unions broke up at 22.45 last (Thursday) night. I understand that no discussion at all had taken place about the pay offer. ACAS was concentrating exclusively on agreeing with the parties a procedure which would bring the unions to arbitration. The unions wanted that in general terms, along the lines that they were prepared to bargain in good faith and to use the offices of a mediator, but that they recognised that in the last resort they should follow their national procedural agreements; the employers were seeking a specific commitment that if the mediator failed, the parties agreed to remit their differences to arbitration. It is not yet clear whether the unions' position remains one of substantive objection to arbitration, or merely the desire to avoid the appearance of being committed to it.

But there is one concrete achievement: the parties have agreed on who the mediator (and arbitrator, if that is agreed) should be. He is a Mr Buchanan, a senior lecturer in the Department of Economics at the University of Dundee. He has a long track record as an arbitrator for ACAS including the settlement of the June 1979 dispute on the London Underground. Mr Tebbit has agreed that he is suitable. (He is not known to Alan.) I understand that the Prime Minister had thought that the Chairman of the Civil Service Arbitration Tribunal might be asked, but apart from the fact that he would not be acceptable to the unions there would be dangers for us too: if Calcutt became tainted with a

particular figure, likely to be more than 5%, it would cause great difficulties if this year's Civil Service pay settlement became subject to arbitration (which of course we hope it won't).

The two sides to the dispute met separately among themselves this morning, and the talks reconvened at ACAS this afternoon. They are likely to continue well into this evening, and may be reconvened again tomorrow.

There is one encouraging and one discouraging aspect to the negotiations so far. It is encouraging that progress is being made on the procedure leading to arbitration without the employers having to make an increased offer; the National Water Council have done well to avoid conceding something. I understand that Pat Lowry is hopeful that an agreement on procedure can be reached today. It is discouraging that the unions are now saying, I understand, that they do not believe that the employers are genuinely free to negotiate, because they have seen the reports attributed to Government spokesmen that the Government had given the green light to the employers to raise the offer. That report, which the Department of the Environment regard as damaging, reflects the briefing given by the Lord President to the Lobby yesterday afternoon, when he said that he could not indicate the levels of increase in the pay offer, thereby confirming that there would be an increase. As a result, I am told that the NWC are not very optimistic about the willingness of the unions to start serious negotiations. One way or the other, we should know before the weekend is out.



21 January 1983

MR RICKETT

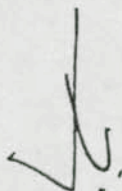
cc Mr Scholar ✓
Mr Ingham
Mr Mount

QUESTIONS: WATER WORKERS

Teddy Taylor's supplementary will give the Prime Minister the opportunity for a comment on the water workers' dispute. Indeed, I understand that Mr Taylor tried to get a PNQ on the water workers yesterday, so he may even mention them this afternoon.

The Department of the Environment want the Prime Minister to avoid commenting on the claim, the offer, or the desirable settlement. They think that any sign that Ministers are still intervening will upset the ACAS negotiations. I think that is naive: the unions know perfectly well that the NWC is in regular contact with Mr King. But I have agreed with the DoE that the Prime Minister could go as far as a generalisation about pay, linked to the falling RPI. So I suggest:

"I hope that the discussions which ACAS is having will lead the water workers to call off this strike. Inflation is still falling fast, and pay rises must come down at the same sort of rate."



20 January 1983



CHARTER CONSOLIDATED/ANDERSON STRATHCLYDE

LINE TO TAKE

In view of Anderson Strathclyde's successful application for judicial review of the decision announced on 21 December 1982, it would not be appropriate for me to comment.

BACKGROUND

The MMC Report on this merger was published on 21 December 1982 when Peter Rees, the Minister for Trade, announced that the Government would not prevent the merger. The decision was discussed in Parliament following a statement by Mr Rees on 22 December 1982. After this discussion, Mr Tom McNally wrote to the Prime Minister on 5 January making a number of points about the decision and the need for a further debate in Parliament. The Department of Trade is considering what advice to give to the Prime Minister on this letter in the light of Anderson Strathclyde's successful application for judicial review of the decision. It would be for Mr Speaker to decide whether a debate on the issues could properly be held while the matter is before the court.

PRIME MINISTER'S BRIEFING - 20 JANUARY 1983

MAJOR INDUSTRIAL DISPUTES

Water Services (E&W)(29,400 manual workers - GMBATU, NUPE, TGWU)

1. A ban on overtime, stand-by and call-out duties began on 18 January and the unions have called for an all-out strike commencing midnight Sunday, following their members rejection of the 4% pay offer made on 11th November.

2. Both sides are meeting ACAS *again today*, for the third day running, for separate talks, consequent upon a formal request by the employers' side that ACAS refer the dispute to arbitration under the terms of the industry's procedural agreement. Under the Employment Protection Act 1975 ACAS is unable to arrange arbitration without the consent of all parties to the dispute.

3. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [The unions later quantified this informally as being in the upper quartile of published earnings figures.]

Ref. A083/0209

PRIME MINISTER

Cabinet: Water Pay Dispute

The Secretary of State for the Environment and the Home Secretary will wish to report to the Cabinet on the latest position of the dispute in the water industry and on the measures which the Civil Contingencies Unit (CCU) has in hand following its meeting on Tuesday 18 January.

MAIN ISSUES

2. The main questions for consideration at this stage seem to be:
- (a) the development of the pay negotiations over the next few days;
 - (b) the likely effects of industrial action;
 - (c) contingency measures, particularly the use of Servicemen; and
 - (d) the Government's public stance.

The Pay Negotiations

FLAG A

3. As reported in the minute to you of 14 January from the Secretary of State for the Environment, the water employers' 4 per cent offer was rejected by the trades unions following consultations with their memberships. The options which the employers have agreed with the Secretary of State are:-

- (a) to stand firm on their offer of 4 per cent and to press the trades unions to accept arbitration; or
- (b) to increase their 4 per cent offer by $\frac{1}{2}$ per cent or $\frac{3}{4}$ per cent, provided that this leads to a settlement; or
- (c) to offer up to 5½ per cent over 16 months (equivalent to 4½ per cent on an annual basis) again provided that this leads to a settlement.

4. The trades unions' claim is for a link with the upper quartile level of male manual workers' earnings (equivalent to about 15-20 per cent), to bring water industry pay into line with that in the gas and electricity supply industries. They have ruled out arbitration, although the agreement provides for unilateral access with the outcome binding on the parties, on the grounds that there is still scope for further negotiation,

which should first be exploited; and the unions have made clear that the offer would first have to be increased to 6 per cent before they would be prepared to accept arbitration.

5. The present position is that the National Water Council (NWC) has formally requested mediation by the Advisory, Conciliation and Arbitration Service (ACAS) and both sides had separate talks with ACAS on Tuesday and Wednesday. Meanwhile the trades unions have banned overtime and emergency work outside normal hours from midnight on Tuesday; and have called an all-out strike from midnight on Sunday 23 January. The unions have, however, indicated their intention to avoid hardship and to "use their best endeavours to avoid a risk of danger to public health", as the industry's closed shop agreement stipulates.

6. The employers' negotiating team has apparently let it be known through ACAS that the offer might be improved slightly (ie 3(b) above); but they intend to float the idea of a 16-month offer (3(c) above) only at a late stage. However, the Chairmen of the Regional Water Authorities and private water companies are apparently meeting on Friday, and there are signs that a substantial number will press for a significantly increased offer in order to avoid a strike.

7. The pay negotiations relate only to England and Wales. But the assessment in CCU was that a strike would immediately spread to Northern Ireland; and the Scottish waterworkers have already said that they will strike to show solidarity with their counterparts in England and Wales, even although they are local authority employees and negotiate separately (although this normally leads to an increase broadly similar to that of the English and Welsh waterworkers).

The Effects of Industrial Action

8. The effects of an all-out strike in the water industry are potentially very serious but are difficult to predict. Substantial parts of the system operate automatically and will continue to function until there is a breakdown which the combined efforts of senior management in the industry, outside contractors and

Servicemen cannot rectify. In other areas, operations are labour-intensive and will therefore be more vulnerable, although the trades unions have undertaken to avoid serious hardship or dangers to public health and to follow the guidelines drawn up by the TUC concerning the maintenance of emergency service during strikes. The most likely scenario is a gradual impact on water supplies and quality resulting from the progressive effect of minor failures which have not been quickly rectified. Depending on the incidence of breakdowns and the ability to repair them quickly some localities could well face severe problems quite quickly.

Contingency Measures

9. The plans for the use of Servicemen have two main elements, viz:

- (a) the deployment of some 8,000 Servicemen to assist with the maintenance by water authorities of basic services; and
- (b) the creation of four mobile emergency repair teams and two construction teams to assist with the repair of major emergencies, such as burst water mains or aqueducts.

The CCU at its meeting on Tuesday evening agreed that the mobile emergency repair teams should be operational from midnight on Sunday and that the main body of Servicemen should be deployed by midnight on Monday. Training and familiarisation will take up to three days. By next Friday the full deployment of Servicemen should be completely in place, although many will be fully operational well before then.

10. The fact that the Government is making contingency preparations to use Servicemen is already publicly known, and has provoked little reaction. However, the timing of the actual use of troops will require very careful consideration. Once they become involved the chances are that the dispute will escalate seriously and that co-operation by middle and senior management, which will be important in the maintenance of even basic services, will be considerably reduced. The CCU therefore decided that it would wish to meet to consider these questions in detail before

agreeing to any particular request for service assistance. The Unit will in any case be meeting on Monday afternoon to review the situation.

11. The Secretary of State for the Environment told the CCU on Tuesday evening that he was confident that water industry management would continue to cope for some time, principally by calling in outside contractors (which are already extensively used in many parts of the industry) and by pressurising the strikers to honour their undertaking and to return to work to tackle any serious emergencies that might arise. He did not himself expect early pressure for service assistance, since the employers were well aware that this would make the dispute much more difficult to resolve.

The Government's Public Stance

12. To a very large extent withstanding a strike in the water industry is dependent on successfully persuading the waterworkers of the need to avoid causing hardship or endangering health; the more the waterworkers are prepared to tackle the most serious emergencies, the longer the dispute can probably be withstood, although a lengthy period of minimal maintenance could adversely affect the continuation of even basic services. Public pressure designed to inhibit the waterworkers from taking the more extreme forms of industrial action will therefore be a key factor in the dispute.

13. There are also telling points to be made about the stance of the trades unions. They have refused to countenance a reference to arbitration, even although the arbitration agreement provides for unilateral access (without any qualification on the circumstances in which this right can be exercised) and for the outcome to be binding on both parties. Pay increases of 4½ per cent have already been accepted by ancillary workers in the National Health Service and (although we cannot yet publicly assume this) may be accepted shortly by local government manual workers in England and Wales. With inflation falling, and the generality of pay settlements in the region 5-8 per cent, the waterworkers' claim is plainly unrealistic.

14. So far, the water industry employers have not deployed these arguments publicly with as much force as they might. The Secretary of State for the Environment therefore has it in mind to begin from about the end of this week to seek to get some of these points across to the general public; he is already encouraging the water industry employers to make better efforts in this direction. No doubt the Cabinet will agree that every effort should be made to demonstrate the unreasonableness of the water industry trade unions. There is, however, the danger, if the Government itself adopts too high a public profile, that the more militant elements of the water industry trade unions will seek to politicise the dispute.

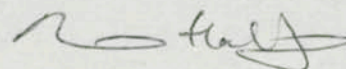
HANDLING

15. You will want to invite the Secretaries of State for the Environment and Employment to report on the latest developments in the pay negotiations; and the Home Secretary to summarise the measures in hand in the CCU.

CONCLUSIONS

16. Depending on the discussion, you may wish to reach conclusions on the following:

- (i) Whether any guidance should be given to the Secretary of State for the Environment in his further contacts with the water industry employers.
- (ii) Whether the Cabinet is content with the arrangements for the use of Servicemen drawn up by the Civil Contingencies Unit.
- (iii) What the Government's public stance should be.



Approved by
ROBERT ARMSTRONG
and signed in his absence.

19 January 1983

PRIME MINISTER

Water Workers

I attach notes by John Vereker and by Bernard Ingham in preparation for the discussion at Cabinet tomorrow.

Bernard and I have worked out the following line, which you might wish to take at Question Time tomorrow:-

"There is no justification whatever for the water workers even to contemplate the kind of disruption they could inflict upon the community, particularly in view of the following facts:

- i) The pay offer is well in line with what other groups are receiving at present.
- ii) These are not low paid workers - their average earnings are almost precisely the same as national average earnings.
- iii) In the last three years they have had either comparable or more generous settlements than local government, coal, gas and electricity workers have received.
- iv) Any strike would be in breach of their contractual obligation to solve disputes through arbitration.

To repeat, there is no justification for a strike. The British public would not understand or accept any disruption in water supplies or sewerage services inflicted upon it in pursuance of this unjustified pay claim."

MUS

19 January 1983

PRIME MINISTER

cc Mr Mount
Mr Ingham

CABINET: THE WATER WORKERS' DISPUTE

The Home Secretary and Mr King will be reporting to Cabinet tomorrow on the preparations for a water workers' strike (at present planned to begin at midnight on Monday 24 January), and on the prospects for a negotiated settlement.

As you know from the work of the Official Group (MISC 61) which looked at the prospects for withstanding a water strike, there are many uncertainties about our ability to cope. Will the supervisors co-operate in trying to maintain basic services? Will the unions stand by their undertaking to provide emergency cover? Will the troops prove effective in dealing with emergencies? How would the public react to interruptions in the water supply? Unlike a coal strike, where there is no public impact until electricity supplies are cut, or a rail strike, where inconvenience is cumulative, the effect of a water workers' strike could be sudden in particular places. So a water strike is best avoided.

The line Mr King is now taking with the National Water Council (who, following Sir Robert Marshall's departure, are proving compliant) is tough, in fact tougher than it was a few weeks ago. He has said that the only options are to stand on the 4% offer and get ACAS to arrange arbitration, or to make a small increase (up to $\frac{3}{4}$ %) for a settlement. Discussions are continuing at ACAS, but assuming that they show that neither of these two options is feasible, I think Mr King should tell the NWC that they can go to $4\frac{1}{2}$ % or so and arbitration. The $4\frac{1}{2}$ % could be either straightforward, or through the 16 month settlement Mr King has already suggested to you (but not yet to the NWC). I doubt if even that much of a concession will bring about an early settlement, but there are several good reasons for making it. It would show genuine negotiating flexibility,

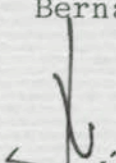
making it harder for the unions to oppose arbitration; it would make it more likely that the supervisors would co-operate; it would make it less likely that the NWC itself would crack - some regional Chairmen are already wavering; and it would probably be widely regarded as "fair", ie what the NHS and the local authority manuals are getting.

If nonetheless it comes to a strike, public relations will be absolutely crucial. The unions must be seen to be clearly in the wrong. Although we can probably leave the NWC to cope with advising the public on what to do in the event of an interruption in the water supply, they cannot be relied upon when it comes to presenting their case against the unions. The Government will need to run a co-ordinated campaign to ensure that all the points which need to be made are made by the right people on the right occasions. I have discussed this with Bernard, and we are agreed that Mr King should be invited to put round a paper to his colleagues by the weekend containing a detailed presentational plan. Bernard has prepared the attached checklist of what it ought to contain. He has considered whether he ought to stay in London on Friday, but has concluded that it may be more useful for him to accompany you in Yorkshire, since you may well be asked for a comment.

Summary

So we recommend that

- (i) Mr King should tell the NWC that they can raise the offer to 4½% (or 6% over 16 months) without preconditions; and
- (ii) Mr King should circulate to his colleagues before the weekend detailed proposals for handling the public relations aspects of the dispute. You may want to give him a copy of Bernard's checklist.


19 January 1983

CHECKLIST FOR PUBLIC RELATIONS ACTION

To secure an acceptable settlement we need now - in advance of any strike - to:

- show a quiet determination;
- create an impression of preparedness;
- demonstrate our reasonableness in the face of intransigence;
- ensure we and the employers speak with one voice.

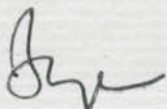
If this overall stance is to come over strongly we need:

- a simple speaking note for general use which gets over the fairness of the Government's offer, the reasonableness of waterworkers' pay, the unreasonableness of their trying to avoid arbitration, and an agreed line on contingency arrangements, including use of troops;
- Ministers (and Backbenchers) to get the message over in newspapers, on radio and on television, locally as well as nationally;
- an effective campaign by the Water Authorities (who must be bullied into discharging this aspect of their responsibilities) explaining to people whether they need to save water and what to do if supplies are interrupted; such an effort on the part of the Water Authorities should have the effect of creating an impression of "employer" unity.

So the public relations plan needs to give guidance on:

- the desired action by Ministers, including some outside D/Environment;
- the organisation of supportive Backbenchers, to put over the message in their constituencies;
- the willingness and state of readiness of Water Authorities.

I cannot stress too strongly the need for the Government and Water Authorities to act this weekend in advance of any strike. This most certainly does not mean being confrontational or provocative. But it does mean being seen and heard quietly explaining our reasonable case, our firmness in the face of intransigence and our preparedness.



B. INGHAM

19 January 1983

MR INGHAMcc Mr Scholar ✓
Mr Mount
Mr WolfsonTHE WATER WORKERS' DISPUTE

You and the other recipients may find it helpful to have this note of the main points arising from the CCU meeting yesterday evening. The Home Secretary and Mr King will both be reporting to Cabinet tomorrow, of which more below.

The Negotiations

Mr King does not see much prospect of an early conclusion to the ACAS negotiations. The unions still have no intention of acquiescing in arbitration - but the 16 month offer has not yet been made to them. The G & M is looking to re-establish its position vis-a-vis NUPE, who have been poaching its members. Some industrial action is now probable.

The Effect of Industrial Action

The overtime ban will have little visible effect, given the unions' undertaking to continue to provide emergency cover. Repair and maintenance will suffer a bit. The effectiveness of the strike itself will depend largely on the extent to which it is supported by the supervisory staff. There will certainly be delay in dealing with the day to day problems of burst pipes and collapsed sewers. As a reference point, there is on average one serious burst water main each day, and 70 or so minor ones; but even without a strike it often takes several days to repair them. As you know, sewers themselves (as distinct from sewage treatment) are generally the responsibility of local authority manual workers.

Contingency Plans

The first line of defence is the water industry itself. The unions' Closed Shop Agreement states that "every effort will be made to avoid damage to public health", so a combination of

emergency cover and assistance from supervisors could hold the position for some time in many areas. The second line of defence is private contractors, who would be brought in as necessary (and feasible) by water authorities.

The third line of defence is service assistance - operations Keelman and Footway (Northern Ireland). The troops involved were put on notice on Monday night, so that provided they get 24 hours notice of the need for their deployment, they will be able to start deploying as from midnight on Monday 24 January. It would then take a further three days to build up the full effectiveness, but it is unlikely that they would be needed in all areas from the very beginning, and Mr Heseltine has assured the CCU that the mobile emergency teams can be made available at a few hours notice anyway. This deployment will of course become known fairly soon. The purpose of operations Keelman and Footway is to maintain basic water services, but all of us who have been engaged in preparations for a water strike are acutely aware that basic may mean very basic indeed; and that the co-operation of supervisors is essential to the effectiveness of the services. At Mr Tebbit's suggestion it has been agreed that the troops will actually be used (rather than merely deployed) only in circumstances to be agreed at the time by Ministers, because of the need to gauge the reactions of the unions to the intervention of the services. The Scottish Office report that their water workers, although deployed by local authorities, are expected to act in solidarity with their English and Welsh counterparts. The CCU will meet again on Monday at 2.15 pm to review the position.

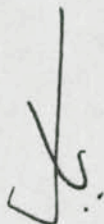
Public Relations

The usual division of labour was agreed, whereby the Department of the Environment will take the lead in the necessary presentation, but No 10 will see to it that there is proper co-ordination among the departments concerned. Mr King said that the water authorities had prepared detailed plans for advising the public on how to cope, ie whether restrictions on water use were desirable, and on what to do if the supply was interrupted. There was no discussion of that division of labour.

Comment

If we get into a national water strike, it is absolutely essential that the unions are ^{that} clearly and widely seen to be in the wrong. Mr King understands/very well, considers that the unions' case is weak and that they will be very unpopular. He intends to start to put a Government case across as from tomorrow. And he has asked the NWC to appoint as their spokesman not their new Chairman (Sir William Dugdale) but Mr Len Hill, ex-NUR, and Chairman of the Negotiating Committee.

The Home Secretary had a word with me this morning about the presentational aspects. He said he was concerned lest the presentational case should be neglected. I said that the problem was that the National Water Council had a poor track record: it might cope with telling the public about the physical arrangements, but it was no good when it came to wrong-footing the unions. I said that we would be advising the Prime Minister to raise this in Cabinet, and to ask Mr King to provide before the Weekend a detailed presentational plan, explaining who would do what and when, and on the basis of what briefing. Otherwise I think this is going to get neglected. I hope you agree: if so, I will brief the Prime Minister accordingly. I would of course be happy to prepare a list of the kind of points Ministers ought to be making about the dispute - but it would be far better if Mr King's Department would take this on themselves. This may come up again at Monday's meeting of the CCU, in which case you probably ought to go to it if you can.



19 January 1983

Local Cat

MISS CHRISTOPHERSON

cc Mr Scholar ✓
Mr Ingham
Mr Mount

WATER WORKERS' DISPUTE

The Cabinet Office have warned me that at the CCU this evening the Home Secretary will emphasise the importance of the best possible presentation of the employers' and the Government's case in the water workers' dispute; and that he will enquire what co-ordination has already taken place and what is planned.

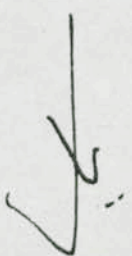
In the light of our meeting this morning, and having established that Bernard is pretty well unavailable on Thursday and Friday of this week, I propose to make the following points:

- (i) As with all industrial disputes, responsibility for presenting the issues in the most advantageous way rests with the lead department, in this case the Department of the Environment; but that the Prime Minister's Press Secretary will as usual accept responsibility for ensuring proper co-ordination among Government departments of what is said;
- (ii) The main factor to be born in mind which is peculiar to this dispute is that the National Water Council cannot be relied upon to run a wheel stall, let alone to organise a major public relations campaign. They did nothing, for instance, during the weeks while the union was consulting its membership;
- (iii) There appear to us to be two distinct phases in the PR campaign. First, and currently, the presentational issues are concerned with negotiations, and our objective is to place maximum pressure on the unions to stand by their agreement to resolve disputes through arbitration. The second phase, which will begin if the ACAS negotiations collapse,

will focus presentational issues on the Government's contingency plans for maintaining essential services. The objective will be less straightforward, since we will want to balance reassuring the community of our ability to maintain basic water services against demonstrating how irresponsible the water workers are being in putting the health of the community at risk.

(iv) The Prime Minister's Press Secretary has necessarily to give priority to the Franks Report; and he will be accompanying the Prime Minister to Yorkshire from Question Time on Thursday until the Weekend. But No 10 continue to accept responsibility for co-ordination, which will be exercised by his Deputy under his general guidance.

(v) A first co-ordinating meeting was held this morning, and addressed the first of the presentational issues identified. If the talks break down, a second meeting will be convened towards the end of this week to co-ordinate the presentation of the contingency plans. A fact sheet on water workers' pay has been made available to interested departments by the Department of the Environment, and the Prime Minister has been briefed for Question Time. It will be for consideration later in the week whether Ministers will wish to make themselves available for Media interviews.



18 January 1983

Water Workers
5/10

PRIME MINISTER'S BRIEFING - 14 JANUARY 1983

MAJOR INDUSTRIAL DISPUTES

Water Services (E&W)(35,300 manual workers - GMBATU, NUPE, TGWU)

1. The unions' members have rejected the 4% pay offer made on 11th November. The union Executive Committees are meeting on Monday 17 January to consider their next steps. No increased offer was made at informal talks on 12 January between the employers' side and the unions' side.

2. The employers' side is seeking unilateral reference to arbitration within the terms of the industry's procedural agreement. Under the Employment Protection Act 1975 ACAS is unable to arrange arbitration without the consent of all parties to the dispute. ACAS are continuing to keep in touch with both sides in the dispute.

3. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [The unions later quantified this informally as being in the upper quartile of published earnings figures.]

DISPUTES SETTLED SINCE LAST REPORT

DHSS Birmingham and Oxford (CPSA & SCPS - 950)

4. Strikers at Birmingham and Oxford have returned to work following agreement at national level between the DHSS and the two unions concerned.

MR SCHOLAR

cc Mr Mount
Mr InghamTHE WATER WORKERS

I have not yet seen the letter from Mr King promised for this evening. I have however been told about the discussions Mr King has had with the National Water Council, and it is clear that so far the NWC has managed to avoid increasing their 4% offer to the unions; and I have also been told roughly what Mr King will be proposing. I should like to offer two comments on the way forward:

(i) Since the unions who represent local authority manual workers have just agreed to recommend to their members a 4½% offer, and since they are the same unions as those who represent water workers, there is now a much improved prospect of a settlement with the water workers below 6%. And there is certainly no need for the employers to go beyond 4½% at this stage.

(ii) The proposal for the water workers to be offered 6% for a sixteen month settlement, equivalent to about 4½% on an annual basis, which I understand Mr King will be putting forward, is sensible. It shows negotiating flexibility; it meets the unions' criticism that the employers were prepared to offer 6% until Mr King stopped them; and it will leave the unions with a very weak position indeed in arguing against arbitration.

14 January 1983



de Jw
A (2)
Prime Minister

Prime Minister

MS 14/1

PAY

You will be pleased to know that the outcome of the crucial local government manual workers negotiations earlier this week is reasonably satisfactory. The unions are putting a 4½% offer to their members over the next 3-4 weeks and it is confidently expected by the local authority employers that this will be accepted.

The situation in the water manuals negotiations is more difficult. The unions executives have endorsed their members agreement in recent ballot to reject the employers 4% offer (and implicitly their refusal to go to arbitration) and they are meeting on Monday 17 January to decide how and when to implement the mandate they have been given to take industrial action in order to secure a "satisfactory settlement". I saw the employers' leaders on Wednesday and impressed on them that there was no justification for a settlement for their manuals in excess of the 4½% which the more lowly paid NHS have accepted and local government workers seem prepared to accept. I told them that the two options for them were either to see if a very small increase (½% or ¾%) could get a settlement, or otherwise, to stand on 4% plus the arbitration proposal, but that they must obviously take care that they did not concede the first and then have arbitration. This would merely play into the unions' hands and raise the floor at which the employers would then have to enter arbitration. The employers did not consider that at this stage there was any hope of securing any commitment to a settlement at the levels I envisaged. They preferred to play down the minimal offer approach and to emphasise their right under the national agreement to go to arbitration.

C O N F I D E N T I A L



At the subsequent joint meeting the unions' position remained intransigent and they made it clear that they were only willing to consider arbitration if there were an offer of 6% on the table and they were not willing to modify their claim. The employers therefore made no moves at that meeting. Yesterday morning they suggested to me that there might be very considerable presentational advantage in making an offer of 6% spread over 16 months, which according to their calculations would equate to a 4½% settlement over a 12 month period. I have since spoken to Geoffrey Howe as Chairman of E (PSP) and agreed with him that a settlement of 5½% over 16 months, which in fact is equivalent to 4½% for this year and 4½% for next year, could be acceptable. I have advised the employers accordingly but only as the basis for an agreement and once again only to be discussed informally so as not to prejudice the question of the base figure for arbitration. The employers' view is that they do not propose to make any direct contact now with the unions in advance of the meeting on Monday, but to let the 16 month offer emerge in any discussion with ACAS. However they doubt that the unions will consider this. In that case we may face industrial action - but the employers could then claim that they were willing to make alternative offers and would thus be able to answer the union argument that the employers cannot press for arbitration since there has been no previous negotiation.

It seems reasonably certain that the unions will decide on Monday to take some form of industrial action if there have been no other moves before then, and it could conceivably take place at any time from Monday 24 January. It is difficult to say at this stage what form the action might take and there are clearly many risks involved for both sides. The unions have however, with an obvious eye on the importance of public opinion, said that they will provide emergency cover, and there is evidence that they are discussing the machinery with the employers at the regional level. It has been reported that GMBATU are in favour of selective action which as far as possible is directed against the Government and the employers rather than the public, but there have also been indications that others in the union movement might support a maximum



effort in order to try to bring the matter to a speedy conclusion. I am writing separately to the Home Secretary about contingency action and the timing of a meeting of the Civil Contingencies Unit. I understand that ACAS remains in touch with both sides.

It has proved very helpful that the gas employers were persuaded by Nigel Lawson to hold their opening offer to one similar to that made to the water workers. Clearly it will remain important that as far as possible we should seek to move in step.

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

14 January 1983

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

JUN 1983

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PA
 MR SCHOLAR

cc Mr Wolfson
 Mr Mount
 Mr Ingham
 Mr Shipley

THE WATER WORKERS' DISPUTE

I have done 12/11/71

It may be helpful if I offer, for the Prime Minister's return, this assessment of the courses of action open to us in the handling of the water workers' dispute. And, before the Prime Minister comes back, it is highly desirable that we ask Mr King's office for his proposals also. You will recall that Mr King did (in his previous capacity as Minister of State) indicate to the National Water Council before Christmas his willingness to see the 4% offer increased to around 5%, without consulting his colleagues.

Recent Developments

As you know, I have always regarded arbitration as the key to resolving this particular dispute. We are not sufficiently confident of our ability to withstand an all-out water strike, nor of the unions' reluctance to take such action, to justify our insisting on the tough action by the employers that we would otherwise like.

I understand that ACAS has remained in touch with both sides over the holiday period, but because the unions have been consulting their members and the employers have had no common position they have been unable to make progress. The Department of the Environment has made it clear to the NWC that, notwithstanding what Mr King said to them before Christmas, they must come back to Mr King before taking any further action - and Mr King will be seeing the employers tomorrow. The Department of Employment tell me that ACAS has warned the unions informally that their refusal to accept arbitration puts them in breach of their national agreements, but that this has cut no ice. The unions will not acquiesce in arbitration on the basis of the present offer, and ACAS are continuing to take the line

that they cannot intervene formally to arrange arbitration without the consent of both sides.

The NWC appears to have virtually collapsed as a serious negotiating body. As far as we can see, it has made no attempt whatsoever to influence the unions during the consultative period - compare, for instance, with the NCB's campaign during the miners' ballot - and their strategy appears not to go beyond saying that Ministers got them into this mess, so Ministers will have to get them out of it.

Possible Action

We could stand aside from the dispute, wait to see what the unions decide on 17 January, and let the NWC handle the consequences. But that is both risky and impracticable. It is risky because serious industrial action is now a real prospect, and because the NWC might either misjudge that, or collapse entirely and offer the 8% or so which would guarantee an end to the dispute; and it is impracticable because the NWC are looking for guidance from Ministers.

So the real alternatives are:

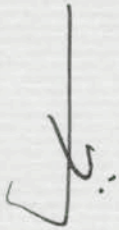
(i) The NWC and Ministers could reach a judgement on what minimum increase in the offer would get arbitration started; or

(ii) The NWC and Ministers could reach a judgement as to the minimum increase required to reach a settlement without arbitration, but after suitably hard bargaining and probably some unofficial industrial action.

My own judgement is that the lowest eventual settlement will be achieved by the employers making a very small increase in the offer, so as to indicate they are negotiating seriously, and then beating the drum very loudly about the arbitration agreement. If the employers and the Government then generated the maximum public awareness of the unions' obligations under the arbitration agreement, it would become difficult for the unions to embark upon serious industrial action; and with the present trend of public

sector pay settlements in this round, there must be a reasonable chance of an arbitration award around 6% or so.

There are however tricky judgements to be made about whether any increase should be made before the unions meet on 17 January, and whether a $\frac{1}{2}$ % increase would be enough; it is on these points that Mr King's views would be helpful.



10 January 1983

Prime MinisterMR SCHOLAR

Ms. 24/11

cc Mr Mount
Mr InghamCABINET: WATER WORKERS' PAY

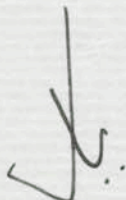
No doubt Mr Heseltine will be reporting to Cabinet tomorrow the position in the water workers' pay dispute, following rejection by the Unions of the 4% offer, and the reluctance of ACAS to start the process of arbitration.

I think it is of great importance that the employers are encouraged to stick to their 4% offer, and that any inclination on their part to increase it to the 5-6% range be firmly opposed by Ministers. We must get the handling of this potentially dangerous dispute right: and whether or not the arbitration process gets under way, it is best that the offer remains 4%:

(i) Clearly if ACAS do agree to arrange arbitration, there is a reasonable chance of a (binding) award of around 6%, in the face of which it would be enormously difficult for the Unions to take serious industrial action;

(ii) And if ACAS continues to be reluctant to intervene, the employers must stand firm so as to intensify the pressure on ACAS. The Prime Minister should I think know that Ferdie Mount and I are concerned about ACAS' apparent refusal to arrange arbitration, even though the Unions and the employers signed an agreement under which either party could ask ACAS to do so. We find it difficult to understand why no-one realised earlier (ie when the 4% tactic was agreed) that ACAS would claim that the 1975 Act enabled them to intervene only with the consent of both parties; and we find it difficult to believe that ACAS did not consent to their being included in the water workers' arbitration

agreement in this way. At least on the surface, it looks to us as though ACAS are hiding behind the small print of the legislation (I attach a copy of the relevant part of the Act, appropriately sidelined) in order to preserve their credibility with the Unions. In short, they may be waiting for the employers to increase the offer. We certainly do not like unilateral access to arbitration, but it has been used so often to the advantage of the Unions (ie in the case of the local authority white collar workers) that we don't see why it should not occasionally work to the advantage of the employers.

A handwritten signature in black ink, appearing to be 'J. J.', located below the main text.

24 November 1982



Employment Protection Act 1975

1975 CHAPTER 71

AN Act to establish machinery for promoting the improvement of industrial relations; to amend the law relating to workers' rights and otherwise to amend the law relating to workers, employers, trade unions and employers' associations; to provide for the establishment and operation of a Maternity Pay Fund; to provide for the extension of the jurisdiction of industrial tribunals; to amend the law relating to entitlement to and recoupment of unemployment benefit and supplementary benefit; to amend the Employment Agencies Act 1973 as respects the exercise of licensing functions under that Act; to amend the Employment and Training Act 1973 as respects the status of bodies established, and the powers of the Secretary of State, under that Act; to amend the Health and Safety at Work etc. Act 1974 as respects the appointment of safety representatives, health and safety at work in agriculture, the status of bodies established and the disclosure of information obtained under that Act; to provide for the extension of employment legislation to certain parliamentary staff and to certain areas outside Great Britain; and for connected purposes.

[12th November 1975]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Part III

E

PART I

MACHINERY FOR PROMOTING THE IMPROVEMENT OF INDUSTRIAL RELATIONS

Advisory, Conciliation and Arbitration Service, etc.

Advisory,
Conciliation
and
Arbitration
Service.

1.—(1) There shall be a body to be known as the Advisory, Conciliation and Arbitration Service, in this Act referred to as "the Service".

(2) The Service shall be charged with the general duty of promoting the improvement of industrial relations, and in particular of encouraging the extension of collective bargaining and the development and, where necessary, reform of collective bargaining machinery.

(3) The provisions (so far as applicable) of Parts I and III of Schedule 1 to this Act shall have effect with respect to the Service.

Conciliation

2.—(1) Where a trade dispute exists or is apprehended the Service may, at the request of one or more parties to the dispute or otherwise, offer the parties to the dispute its assistance with a view to bringing about a settlement.

(2) The assistance offered by the Service may be by way of conciliation or by other means, and may include the appointment of a person other than an officer or servant of the Service to offer assistance to the parties to the dispute with a view to bringing about a settlement.

(3) In exercising its functions under subsection (1) above, the Service shall have regard to the desirability of encouraging the parties to a dispute to use any appropriate agreed procedures for negotiation or the settlement of disputes.

(4) The Service shall designate officers of the Service to perform the functions of conciliation officers under any enactment (including any provision of this Act or any Act passed after this Act) in respect of matters which are or could be the subject of proceedings before an industrial tribunal, and accordingly any reference in any such enactment to a conciliation officer is a reference to an officer designated under this subsection.

Arbitration.

3.—(1) Where a trade dispute exists or is apprehended the Service may, at the request of one or more parties to the dispute and with the consent of all the parties to the dispute, refer any or any of the matters to which the dispute relates for settlement to the arbitration of—

- (a) one or more persons appointed by the Service for that purpose (not being an officer or servant of the Service); or

(b) the Central Arbitration Committee constituted under section 10 below.

(2) In exercising its functions under subsection (1) above, the Service shall consider the likelihood of the dispute being settled by conciliation and, where there exist appropriate agreed procedures for negotiation or the settlement of disputes, shall not refer a matter for settlement to arbitration under that subsection unless those procedures have been used and have failed to result in a settlement or unless, in the opinion of the Service, there is a special reason which justifies arbitration under that subsection as an alternative to those procedures.

(3) Where in any case more than one arbitrator is appointed under subsection (1)(a) above the Service shall appoint one of the arbitrators to act as chairman.

(4) An award by an arbitrator appointed under subsection (1)(a) above may be published if the Service so decides and all the parties consent.

(5) Part I of the Arbitration Act 1950 shall not apply to an arbitration under this section.

(6) In the application of this section to Scotland, references to an arbitrator shall be construed as references to an arbiter.

4.—(1) The Service shall, if it thinks fit, on request or otherwise, provide, without charge, to employers, employers' associations, workers and trade unions such advice as it thinks appropriate on any matter concerned with industrial relations or employment policies, including the following—

- (a) the organisation of workers or employers for the purpose of collective bargaining;
- (b) the recognition of trade unions by employers;
- (c) machinery for the negotiation of terms and conditions of employment, and for joint consultation;
- (d) procedures for avoiding and settling disputes and workers' grievances;
- (e) questions relating to communication between employers and workers;
- (f) facilities for officials of trade unions;
- (g) procedures relating to the termination of employment;
- (h) disciplinary matters;
- (i) manpower planning, labour turnover and absenteeism;
- (j) recruitment, retention, promotion and vocational training of workers;
- (k) payment systems, including job evaluation and equal pay.

SECRET



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

12 November 1982

CCJV
4
Prime Minister (2)

MUS 12/11

Dear Sir Geoffrey

WATER MANUALS PAY NEGOTIATIONS

Following discussions with Norman Fowler yesterday morning I made it clear to the employers' negotiating team that I would regard an offer of more than 4% in the negotiations which resumed yesterday afternoon as completely unacceptable. In the event, they did as I asked and, after rejecting the unions case for upper quartile equivalence, they offered 4% with some minor concessions on holidays and shift pay.

The unions predictably rejected the offer. The employers thus stated that since the gulf was so wide the matter should be referred to arbitration. The unions refused to join the employers in a joint reference to ACAS despite the terms of the national agreement (a copy of which I attach). The unions justified their action by maintaining that there had not been meaningful negotiations and questioning whether the talks had been properly concluded before the employers decision to embark on arbitration. The union negotiators intend now to recommend their executives should consider consulting members on an all-out strike. It appears from subsequent press reports that they do not intend, for understandable reasons, to press the matter before Christmas but to have the consultative process completed in time for a possible strike early in the New Year.

If the unions continue to refuse to go to arbitration, I understand it is possible that this might pose some constitutional and practical problems for ACAS which could make it difficult to submit the reference to arbitration at the employers request. However, unless Norman Tebbit advises otherwise, I think we should first leave this to ACAS, while obviously keeping in very close touch with developments.

I shall impress on the employers the vital necessity of bringing effective influence to bear on the workforce over the next few weeks. They have a good case and I shall discuss

with them how they might best present it.

While arbitration may be in prospect we should not comment publicly on the details of the negotiations or the pay situation of the water workers. But we should when suitable opportunities occur be ready to deplore in the strongest possible terms the prospect of a serious disruption of this essential service especially when the unions, in breach of a long established national agreement, refuse to agree to refer the matter to ACAS. We are in touch with No 10 and the joint information machinery.

There is at present no need for us to consider contingency action but I shall be taking up with the Home Secretary the question of the timing of confidential joint discussions at regional level as required in the existing contingency plans.

My own view on the events so far is that there is no evidence that our concern for the lowest opening offer has in any way aggravated the situation, and the outcome is exactly what was predicted for the higher offer that the employers originally suggested. And, while it has not aggravated the water position, I hope it has proved helpful to Norman Fowler in his crucial negotiations. I shall continue to keep in close touch with him.

It has

I am copying this to the Prime Minister, to members of E Committee, to Norman Fowler, George Younger, and Nicholas Edwards and to Sir Robert Armstrong.

Yours sincerely

Gareth Davies

(Private Secretary)

✓✓ TOM KING

*approved by the Minister and signed
in his absence*

local
Govt.

MR SCHOLAR

cc Mr Mount
Mr Ingham

WATER WORKERS

The Prime Minister will have seen press reports of the breakdown of yesterday's pay negotiations with the water workers, and the threat by the GMWU to embark upon an all-out strike early in the new year. This confirms our earlier assessment that the Unions in the water industry were in a particularly militant mood this year.

It is reasonably clear that the rapid breakdown of the negotiations resulted from the employers' offering only 4%, less than the Unions must have been expecting, following Mr King's intervention. But opening at 4% will certainly have been the right thing, both within the water industry and more generally. The starting point for any further negotiations or arbitration has been kept low; and other Unions currently negotiating - notably those in the health service and local government - may have lowered their expectations a little as a result.

And we are still a long way from industrial action. First, the Unions' negotiators are recommending their executives to consult members, and there will have to be a number of branch ballots before a strike is authorised. There is thus a built-in cooling off period, and a possibility (rather remote) of industrial action not being authorised. Secondly, the arbitration agreement in the water industry provides for unilateral access by either side to a binding award. That was, of course, one of the reasons why we were so keen to keep down the opening offer. There will be a considerable period of uncertainty if the employers now seek arbitration. ACAS would have to appoint an arbitrator, with the agreement of both sides, and provide him with terms of reference. Different terms of reference might be produced by the two sides; and the Unions might even refuse

PARA 12 CONSTITUTION OF THE NATIONAL JOINT INDUSTRIAL COUNCIL
FOR THE WATER SERVICE

12. ARBITRATION.

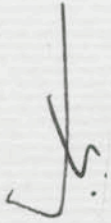
In case the Joint Council are unable to determine any matter falling within the scope of their functions they shall, at the request of a majority either of the Employers' Side or the Trade Unions' Side, refer the difference to the Conciliation and Arbitration Service or to any other agreed tribunal for arbitration, and any award made in relation to the difference shall be accepted by the two Sides and shall be treated as though it were an agreement between the two Sides.

Local Govt.
Pay of L.A. workers
Pt. 2

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to have anything to do with the arbitration process, and lean on ACAS to get negotiations re-opened. There are no decisions for Ministers at present; the Prime Minister received last week the latest report of the Official Group on Water, which has reviewed the arrangements we have for withstanding the strike if necessary.

A handwritten signature in black ink, consisting of a vertical line with a hook at the top and a stylized 'h' or 'k' shape below it.

12 November 1982

Hand
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Local Govt.

10 DOWNING STREET

From the Private Secretary

Mr. Gregson

The Prime Minister has noted your minute of 5 November about industrial action in the water industry, and the paper attached thereto.

She has commented that the performance of the Combined Employers' Committee further reinforces the case for seeing to it that pay bargaining in the water industry is in future done on a regional rather than a national basis.

I am sending copies of this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Defence, the Environment, Scotland, Wales, Industry, Social Services, Energy and Employment, and the Ministers of Agriculture, Fisheries and Food and for Local Government and Environmental Services, and to Mr. Sparrow and Sir Robert Armstrong.

M. C. SCHOLAR

10 November, 1982.

SECRET AND PERSONAL

MR SCHOLAR

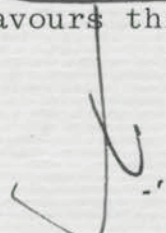
cc Mr Mount

POSSIBLE INDUSTRIAL ACTION IN THE WATER INDUSTRY

I have discussed Peter Gregson's note of 5 November, which covers the latest report of MISC 61, with Ferdie Mount, who has already exchanged letters with Mr King about Pay Bargaining in the Water Industry.

Industrial action in the water industry would certainly carry risks. But they should not be exaggerated. In the current mood of industrial relations it seems to me highly unlikely that there would be much media or public support for anyone prepared to interrupt water supplies in pursuit of a claim of around 13-15%. The one-day strike, although well supported by manual workers, did show that supervisors (who would play an important part in maintaining the system) were generally willing to take action. And contingency plans exist which can cope with major interruptions in supplies.

X | There is only one point which we would urge that you make, on the Prime Minister's behalf, in acknowledging Peter Gregson's note. That is, as Ferdie Mount has already indicated to Mr King, that the performance of the Combined Employers' Committee, which Mr King himself describes as "quite ludicrous", further reinforces the case for ensuring that pay bargaining in the water industry is in future done on a regional rather than national basis. The Chancellor has already indicated that he also favours this.


8 November 1982



CONFIDENTIAL

Prime Minister (2) *ca/r*
Mus 9/11 local Govt.

QUEEN ANNE'S GATE LONDON SW1H 9AT

8 November 1982

Dear Geoffrey

Since I wrote to you on 19 October the local authorities and the fire service unions have settled on a pay increase of $7\frac{1}{2}\%$, effective from 7 November, and the Joint Pensions Committee (JPC) have had their initial discussion of the proposal to increase the pension contribution rate. I must explain why I have not issued the press statement I earlier had in mind and why I now think the date for a pension contribution increase should be put back to 1 April next.

You will have seen that the news of the pay increase which appeared in the press on 27 October was well qualified by references to a likely increase in pension contributions, and the relationship between the two matters was stressed by the press on 28 October following discussion of the pension contribution rate in the JPC the day before. I judged, in the light of an immediate report by my officials on the nature of the JPC discussion, that for me to issue a press statement forthwith would be likely to prejudice further discussion in the JPC and would probably do little if anything more to help colleagues in their problems over pay for other public sector groups than had already been achieved less directly with the help of background briefing.

At the JPC meeting the actuary retained by the Fire Brigades Union both questioned some of the assumptions made by the Government Actuary and suggested that his work had been based on inadequate data. On the matter of the choice of actuarial assumptions, there is no reason to depart from those used by the Government Actuary in all of his work, but a case does exist for gathering further detailed data about the age composition of the fire service, the pattern of injury and ill-health retirements and matters of that sort. Attempts to obtain more up-to-date statistical information over the last few years have foundered on local authority reluctance for the task. For this reason the Government Actuary was constrained to rely on much earlier material. He does not expect his evaluation of the pension scheme to be significantly affected by the additional data (which the local authorities are now willing to provide), but he cannot make an unqualified statement to this effect without it. Meanwhile the unions are able to argue that it would be unreasonable for their members to have to accept a higher contribution rate without a sounder foundation and they were successful at the JPC meeting in planting doubts in the minds of the representatives of those local authority associations who had previously favoured an immediate increase in the contribution rate.

CONFIDENTIAL

The Rt. Hon. Sir Geoffrey Howe, QC., MP.

/cont

I am satisfied that we must allow time for the data to be collected and analysed before I make a firm proposal for a new contribution rate. What this means in terms of the timetable is that if the collection of data is put in hand as soon as possible the figures should be in by about the end of November. The analysis will take until about the end of January, when I shall have a firm basis for a proposal to put to the unions in early February. A meeting of the JPC to discuss the proposal could follow within a few weeks, leading to a decision in early March and an operative date of 1 April.

It must be a disappointment that the matter cannot be concluded more quickly, but I think it would be most unwise to go flat out for an earlier operative date without any firm backing from the local authority employers against the combined opposition of all three unions.

I suggest, therefore, that I proceed on the basis of the timetable outlined above. I intend to take the opportunity provided by the next meetings of the Central Fire Brigades Advisory Councils for England and Wales, and for Scotland, on 9 and 12 November respectively, to make known my decision to authorise the collection of additional data so that the validity of the Government Actuary's evaluation may be verified. Having had colleagues' comments I would propose to make the prospective timetable known to the JPC shortly thereafter, emphasising that 1 April next is a firm date, not to be extended.

Mason
Water

Local Govt, LA Manual Pay, #2

NOV 18 1982





SECRET AND PERSONAL

P.0885

Prime Minister

(1)

MR SCHOLAR

Please see John Verheis note (Page A).

Agree I make the print at X?

Yes not M/S 9/11

INDUSTRIAL ACTION IN THE WATER INDUSTRY

The letter of 4 November from the Minister for Local Government and Environmental Services to the Chancellor of the Exchequer, which was copied to the Prime Minister, referred to a report by officials on withstanding a water strike.

... This report, which was prepared by the Official Group on Water (MISC 61), is attached. The main points for Ministers are summarised in paragraph 21. The immediate question of what further guidance should be given to the employers has been addressed in Mr King's letter.

2. The report brings out that, if industrial action were to occur, the key to withstanding it seems likely to be the extent to which the trade unions can be induced, under the pressure of public opinion, to mitigate its most serious effects. The closed shop agreement in the water industry in England and Wales commits the unions in the event of industrial action to "use their best endeavours to avoid a risk to public health"; and the unions have already said that they would follow the guidelines drawn up by the Trades Union Congress concerning the maintenance of emergency services during strikes. The report therefore recommends that the employers should consider this aspect carefully in formulating their tactics.

3. I am sending a copy of this minute and of the attached report to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Defence, the Environment, Scotland, Wales, Industry, Social Services, Energy and Employment and the Ministers of Agriculture, Fisheries and Food and for Local Government and Environmental Services, and to Mr Sparrow and Sir Robert Armstrong.

P L GREGSON

5 November 1982

SECRET AND PERSONAL

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AND PERSONAL

WITHSTANDING A STRIKE IN THE WATER INDUSTRY

Note by the Official Group on Water (MISC 61)

INTRODUCTION

1. This report discusses the likelihood of industrial action in the water industry during their current pay negotiations and the steps that might be taken to withstand it.

THE PAY NEGOTIATING MACHINERY

2. The pay settlement date for the 29,000 water manual workers is 7 December. The National Water Council (NWC) is statutorily responsible for conducting the pay negotiations for all the employers in the water industry in England and Wales. The Government has announced its intention to legislate to abolish the NWC with effect from September 1983; the pay arrangements to replace it remain to be settled. This year's negotiations are being conducted within the context of established arrangements, with strategy being decided by a Committee of Combined Employers (RWA and water company chairmen) representatives of which carry out the negotiations.

THE PRESENT STATE OF THE PAY NEGOTIATIONS

3. The trade union claim, which was tabled at the first negotiating meeting for England and Wales on 21 September, seeks the establishment of a link between the earnings of manual workers in the water industry and the upper quartile level for manual workers in the economy as a whole. The trades unions have not quantified this claim but they probably have an increase of around 13-15 per cent in mind. However, in negotiation the trades unions may eventually modify their claim to one which is no less than that apparently received by the miners and possibly slightly above it as a step towards establishing the desired pay link.

4. As part of last year's pay settlement the employers undertook to consider, without commitment, the relative position of manuals' earnings. In informal joint discussions they have not conceded the principle of the link sought by the trades unions; their refusal to do so at the outset of the formal

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negotiations led to the first ever official strike in the industry on 18 October, which was generally well supported. The employers indicated in the informal discussions that they may be prepared to concede progress towards improving manuals' relative earnings, provided that the cost is fully matched by concessions toward specific managerial objectives.

5. The next negotiating meeting is on 11 November, when the employers will respond to the claim. The employers will be meeting on 27 October to seek to settle tactics for the pay negotiations. The Minister for Local Government and Environmental Services will be reporting to his colleagues on the outcome of the employers' discussion. One important issue on which the employers are likely to take an early view is whether they are themselves likely to wish to have recourse to arbitration, to which there is unilateral access by either side with binding awards.

6. In Scotland although water workers are local government employees their pay settlements have tended to match those of water industry manual workers in England and Wales. No claim has yet been lodged, and the unions are likely to wait for a settlement to be reached in England and Wales before opening negotiations.

7. In Northern Ireland the water industry is controlled by the Department of the Environment for Northern Ireland, and not by local water authorities. Rates of pay in the industry are determined by those agreed for England and Wales. Past experience suggests that workers in Northern Ireland would join in almost immediately if substantial official industrial action occurs in England and Wales, but that they would be less likely to do so in the case of unofficial action.

INDUSTRIAL ACTION

8. For various reasons (rivalry between the GMWU and NUPE, and a desire not to be outflanked as in previous years by militants among the workforce) trade union leaders in the water industry are now more likely to call for official industrial action in support of their pay claim. Moreover, if the miners' ballot were to reject the NCB's offer, the chances of an early settlement by the water industry at or near that offer would be slight; although the trade union leaders might see advantage in those circumstances in playing the water

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negotiations slowly, pressures from the workforce for industrial action might be increased.

9. Industrial action would probably start with an official work to rule and perhaps one-or two-day strikes; there might be more serious unofficial action in the most militant areas, eg. Central and South Lancashire, West and South Yorkshire and Tyneside. After a month or so, if no satisfactory offer was in prospect and if unofficial action was spreading, the official action might be escalated to more frequent and longer all-out local stoppages. It is unlikely that the trades unions will call for an indefinite all-out national strike, or that unofficial action would reach the point where it approximated to this.

THE LIKELY EFFECTS OF INDUSTRIAL ACTION

10. The effects of industrial action depend on a number of factors: chance (the location and nature of failures in the water supply and sewage systems); operational considerations (the extent to which outside contractors are already used for repair and maintenance, including emergency work, and the extent to which certain plants could be kept in operation by management alone); and the degree of reluctance by the unions and workforce to take action which might endanger public health. The closed shop agreement in the water industry in England and Wales commits the unions in the event of industrial action to "use their best endeavours to avoid a risk of danger to public health"; and the unions have already said that they would follow the guidelines drawn up by the Trades Union Congress concerning the maintenance of emergency services during strikes.

11. In general the first phase of industrial action, localised and of short duration, as envisaged in paragraph 9 above, would be unlikely to have serious consequences. The main effect would be the added strain on management and some temporary disruption of water supply or temporary deterioration in standards of water purification or sewage disposal in particular areas. If the action became more widespread, more frequent, and of longer duration, the potential consequences would be much more serious, particularly in those areas where outside contractors were little used for emergency repair work and where water purification or sewage plants were labour intensive.

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WITHSTANDING INDUSTRIAL ACTION

12. The effects of widespread industrial action in the water industry are potentially serious: at the very worst they could involve severe water shortages in some areas and serious reductions in the quality of water supplies. The consequences for those affected, including both individual householders and industry, would be grave. The key to withstanding lengthy industrial action in the water industry seems likely to be the extent to which the trades unions can be induced, under the pressure of public opinion, to mitigate the most serious effects. The crucial consideration might well be the public perception of the respective merits of the employers' and trade unions' cases. Insofar as the unions succeed in suggesting that the water workers have a good case for well above average earnings because of the nature of their work, the employers may be thought unreasonably intransigent and will tend to be blamed for the disruption in the service. If however the employers succeed in suggesting that the claim is excessive and the union attitude unreasonable, the responsibility for the consequences of industrial action will more clearly be seen to rest with the trade unions, and this consideration may in turn help to inhibit the unions from escalating their industrial action. It is important that the employers should consider this aspect carefully in formulating their tactics.

13. The willingness of middle management and technical staff - many of whom are members of trades unions - to undertake extra duties and facilitate the maintenance of services, would also be crucial. Most would do so while the industrial action remained unofficial, but in the face of official action their willingness to co-operate might diminish. However, again, public opinion might effectively be brought to bear to persuade them to offer sufficient assistance for adequate services to be maintained.

14. Nonetheless, water authorities might eventually be forced to seek outside help. There are three sources of this, viz:

- a. volunteers;
- b. contract labour;
- c. Servicemen.

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The part that volunteers might play seems likely to be limited to carrying water to the elderly, the infirm etc in any areas where supplies were particularly badly affected.

15. In principle, contractors have the expertise to undertake a wide range of tasks, although in most circumstances they would need to be supervised by management and would probably also need access to water authority stores. In some areas contractors are already extensively used for emergency repair work by water authorities, although in other areas, particularly in the North, there is still a great reliance on direct labour. However, in practice, many water authorities may be most reluctant to ask contractors to do more than their normal work; and many contractors may be unwilling to do so, because of fears that they might be "blackened" after the strike had ended.

16. Plans ("KEELMAN" in Great Britain, "FOOTWAY" in Northern Ireland) have already been formulated for the use of Servicemen either on a large scale to assist management and supervisory staff to maintain basic water services for a limited period in the event of widespread industrial action; or in a more limited way to assist water authorities to cope with particularly serious emergencies if the trades unions decline to co-operate. As in the case of contract labour, co-operation from middle as well as senior management would be essential; so would access to water depots and stores, and the police would be ready to ensure this in the event of picketing. As the water authorities are aware Service assistance would be available only after the trade unions had shown themselves demonstrably unwilling to avoid risks to public health, either by allowing water workers to carry out essential work or by permitting the use of contractors for this purpose. But some water authorities would be most reluctant to seek Service assistance in almost any circumstances.

HANDLING OF THE DISPUTE

17. Ministers will need to consider how best to handle the dispute in two main respects: the nature of any guidance to be given privately to the water industry employers, and the Government's public stance on the dispute.

18. The Government appear to have no useable statutory power of direction in relation to the water industry which would be appropriate to the circumstances of a pay dispute or industrial action. Any financial disciplines imposed on

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the industry cannot be made to bite effectively on the level of pay settlements, because the industry can pass on both the pay settlement and the Government's financial disciplines in charges to consumers, and every 4 per cent on the wage bill will add only about 1 per cent to charges. The Government must therefore seek to convince the employers of the undesirability of a high pay settlement and of giving in readily to union pressure both in the wider interests of the economy and in their own long term interests as employers.

19. The employers may respond to general guidance of this kind by asking the Government to indicate a desirable level of settlement and to give a clear direction on the acceptability or otherwise of industrial action in the industry if a settlement cannot be secured at a desired level. The Government's position has so far been to resist giving an indication of a desirable level of settlement other than a statement of the Government's general wish to see lower settlements in the current round, and to leave responsibility for the negotiations and decisions about strategy firmly with the employers, while giving them assurances that the Government would back them as far as possible in dealing with any serious industrial action. Ministers will need to consider whether to maintain this line. They may also wish to convey to the water industry that while the responsibility for handling the pay negotiation and the dispute must rest with the employers rather than the Government, the Government would wish, because of the wider implications for the national interest, to have an opportunity in good time to comment on the employers' strategy for handling the dispute and on significant tactical steps.

20. On the Government's public stance, Ministers will need to consider whether it would be useful or disadvantageous to pass any comments on the substance of the dispute at this stage or at any point in the future. If the Government were seen to become too actively involved, this would be likely to undermine the authority of the employers and would tend to play into the hands of the unions, enabling them to suggest that the dispute was about wider political issues rather than pay in the water industry. This should not however preclude Government spokesmen from reinforcing the general message about lower pay settlements or, if industrial action occurs, from condemning any hardship which might be caused.

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AND PERSONAL

SUMMARY OF POINTS FOR MINISTERS

21. Ministers are invited:

- i. to note the assessment of the present state of the pay negotiations, the prospects of industrial action and the likely effects of such action set out in paragraphs 3 to 9;
- ii. to note that the key to withstanding industrial action in the water industry seems likely to be the extent to which the trade unions can be induced, under the pressure of public opinion, to mitigate its most serious effects, and that it is important that the employers should consider this aspect carefully in formulating their tactics;
- iii. to consider in the light of the employers' decisions on 27 October whether further guidance should be given to the employers as discussed in paragraph 19;
- iv. to consider whether the Government's public stance on the dispute should be on the lines set out in paragraph 20.

Cabinet Office
28 October 1982

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Local Govt
Manuals pt 2
with recs 5/11

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DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

4 November 1982

Prime Minister (2)

What you heard at

Cabinet this morning.

ms 4/11

Don Coffey

WATER MANUALS PAY NEGOTIATIONS

In advance of the meeting of the Combined Employers Committee last week I talked informally with both Len Hill, Chairman of South West Water Authority and Chairman of the Employers, and Tag Taylor, new Chairman of Southern Water Authority. I impressed on them both the vital importance of continuing the downward pressure on wage settlements, and the need for a low offer. Len Hill advised me that his approach would be to make such a low offer, to allow a very small amount for further negotiation and if that did not achieve agreement to go straight to arbitration.

The outcome of the Combined Employers' meeting, which involves some 20 people, has, however, turned out very differently, with a basic proposal for a 6% opening and closing offer with immediate recourse to arbitration if this is not accepted. I attach, in the annex, fuller details of the proposed basis of negotiations. Might I say, straightaway, that I regard this decision by the Combined Employers as quite ludicrous and am seeking to get a very different approach adopted for the opening of the negotiations on November 11th. I have pointed out to a number of the people concerned, in no uncertain terms, the total lack of justification for a 6% plus arbitration offer, against a background of last week's 5.7% arbitration decision for White Collar Local Government workers for the last pay round, at a time when inflation is falling so rapidly and with the BL and miners' decisions as well. Moreover, it is clear that such an offer would be extremely embarrassing in the Health Service context and we are, of course, dealing with many of the same unions in the water industry (I am in close touch with Norman Fowler about this).

The employers view is that there is every prospect of industrial action if the water offer is 6% or less. But I

have made it clear that if this is the case there is even less point in making such a high offer, and leaving even fewer cards to play thereafter.

The employers also have a complicated argument that, as the unions are determined on strike action, if they pitch their offer high enough and offer arbitration, then if the unions take industrial action they will be in breach of their agreements. The employers can then regard the agreements as no longer valid and the closed shop no longer operative, and encourage the moderates to come to work on that basis. This argument is not valid in that they can equally approach it from a lower base with the option of arbitration, and achieve the same effect.

I am, therefore, doing all I can to try and ensure that the initial offer, made by the employers on the 11th, is one that does not embarrass us in other negotiations and is in line with our continuing efforts to restrain wage settlements.

The background to the employers' view is based on their strong belief that the union leadership is determined on a fight, and their worries about the consequences of any industrial action. Last year officials produced a paper "Withstanding a Water Strike", which dealt with various possible difficult eventualities. They have produced a further such report this year. I think this needs to be seen in perspective - a strike could obviously prove to be extremely rough, but probably equally rough for many of the strikers and their families, and one not likely to attract much public support. I therefore hope that we do not become too obsessed at this stage with all the problems - many of them very daunting - that could possibly arise from such a strike, but be prepared to take a resolute line in defence of our counter-inflation policy.

Nonetheless serious aspects are involved and I well understand that the Home Secretary might think it advisable to call an early meeting of CCU.

I am copying this to the Prime Minister, to members of E Committee, to Norman Fowler, Nicholas Edwards and George Younger, and to Sir Robert Armstrong.

2
v
TOM KING
ka

PROPOSED BASIS OF NEGOTIATIONS ON WATER MANUALS PAY

- a) the ceiling for a total settlement package is 6% of current pay bill, except that if the team considers that a 16 month settlement could secure an otherwise unobtainable settlement the ceiling could be increased on a pro-rata basis to accommodate it;
- b) the opening offer should probably be pitched at the ceiling level; the negotiators are authorised to proceed directly to arbitration (unilateral access and binding award) if and when it becomes clear that no headway can be made on the offer;
- c) this implies no concession on the principle of upper quartile equivalence;
- d) the package would include minor concessions on holidays and service supplements but not on reduced hours;
- e) the negotiators would have the discretion to shape and vary the package in negotiation in respect of the balance between increases on rates and bonuses.

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Prime Minister (2)

MUS 29/10

LOCAL GOVERNMENT

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

28 October 1982

The Rt Hon Tom King MP
Minister for Local Government and
Environmental Services
Department of the Environment
2 Marsham Street
LONDON SW1

Dear Tom

WATER INDUSTRY PAY MACHINERY

Thank you for your letter of 20 October. I have also seen *attached* Ferdy Mount's letter of 22 October. *will request if required*

I rather share the views which Ferdy has expressed. One can well see why the employers are nervous about dealing separately with a union side which has stated its intention of continuing to co-ordinate tactics on a national basis. But separate negotiations need not exclude the possibility of co-ordination among employers, at least to the extent of ensuring that they do not undermine each others' positions. And we are also entitled to be sceptical about the extent to which the unions could in practice maintain full co-ordination indefinitely.

Nor should we overlook the potential advantages of decentralisation. Even if separate regional negotiations made no difference to the level of settlements achieved, I still think that the replacement of one prominent settlement with a number of less significant ones could be presentationally helpful. And decentralisation could surely only be helpful to the important objective of getting greater flexibility to reflect local labour market conditions. Finally any industrial action, and the threat of such action, could become more localised and easier to handle.

These considerations lead me to the same conclusion as in Ferdy Mount's letter. Let us wait until this year's pay negotiations are over and we have seen whether the employers are able to give a good account of themselves in national negotiations. We can then consider again the balance of advantage between national and decentralised bargaining. I understand that there is no urgency about the question of future pay arrangements, at least until the Water Bill passes into law in the spring of next year.

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Next Health, NHS Pay, Pt 2

Perhaps I could also take this opportunity to support what Norman Fowler says in his minute of 25 October to the Prime Minister about the potential impact of a high settlement with the water workers on the National Health Service negotiations. I do hope that the water employers are well seized of the wider damage which such a settlement could do. Any tendency, for example, to regard labour costs as relatively unimportant at the margin because the industry is not very labour intensive, would be most unsatisfactory.

I am copying this letter to the Prime Minister, Norman Tebbit, Nigel Lawson, Patrick Jenkin, Norman Fowler, Peter Walker, Nicholas Edwards and George Younger, and to Sir Robert Armstrong.

Handwritten signature and initials

GEOFFREY HOWE

W 7 OCT 1982

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*of J.V. part
Local Govt
Prime Minister (2)*

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

Mus 27/10

From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MC
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1

26 October 1982

W. H. H. H.

[Handwritten mark]

FIRE SERVICE PAY AND PENSIONS

In box

This is in response to your letter of 19 October to Geoffrey Howe.

Given that there is nothing the Government can do to influence the level of the next pay settlement I very much welcome your proposal to impose an increase in the rate of pension contributions, as in the case of the police. It is a pity that pay and pension increases cannot be synchronised but I accept that this is not feasible. In consequence it is important to minimise the impact of the announcement of the pay increase by simultaneously making known the intention to increase pension contributions, and by drawing attention to the similarity between the firemen and the police, as you propose.

I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Employment, the Lord Privy Seal and Sir Robert Armstrong.

[Handwritten signature]

NORMAN FOWLER

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Prime Minister (2)

Ms 27/10

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

26 October 1982

The Rt. Hon. William Whitelaw, CH MC MP
Secretary of State for the Home Department,
Home Office

Dear Willie

Handwritten mark resembling a stylized 'M' or 'W' with an arrow pointing upwards.

FIRE SERVICE PAY AND PENSIONS

Thank you for your letter of 19 October about the prospects for the pay settlement for the Fire Service.

This looks generally rather better than we feared a short while ago when an increase of 9 per cent was being mentioned. It would certainly be damaging if the second major pay settlement for the public services came out at that figure. I am most grateful to you for offering to do whatever you can to highlight the possibility of an offset to the increase in pay in the form of an enhancement of the firemen's pension contribution.

I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

Handwritten signature of Geoffrey Howe.

GEOFFREY HOWE

Local Govt.

Local Authority manual

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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ



John Halliday Esq
Private Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

26 October 1982

Dear John,

FIRE SERVICE PAY AND PENSIONS

PM's Box

My Secretary of State was grateful for the copy of the Home Secretary's letter of 19 October to the Chancellor.

There is no special Northern Ireland angle to this issue - both the Fire Authority for Northern Ireland (which is a quango under the tutelage of the Department of the Environment (NI)) and the union side are represented on the National Joint Committee - and Mr Prior is in agreement with the suggested handling outlined in the Home Secretary's letter.

I am copying this letter to the Private Secretaries of the Prime Minister, the Chancellor, the Secretaries of State for Education and Science, the Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

*Yours sincerely
M W Hopkins*

M W HOPKINS

CONFIDENTIAL



10 DOWNING STREET

The Right Honourable
Tom King, MP,
Department of the Environment,
2 Marsham Street,
London, SW1.

22 October 1982

Dear Tom,

WATER INDUSTRY MACHINERY FOR PAY

I understand that you have told the Chancellor of your intention not to intervene in the final decision of a negotiating arrangement. As you say, it would indeed be difficult to legislate for decentralised bargaining against the will of both parties.

All the same, the results achieved by the present system are scarcely brilliant. And I rather doubt whether the unions are keen to hang on to centralised bargaining purely for internal political reasons. Experience in most public monopolies, not only here but in the United States, is surely that decentralised bargaining does reduce the power and cohesion of even the best organised trade union and does, albeit gradually, bring bargaining closer to local realities and so leads to regional pay differentiations. True, the water unions have a strong tradition of negotiating nationally, but in this case it is unlikely also to be the case that decentralised bargaining would mean leapfrogging.

The other possibility is that the poor results of the National Water Council were due largely to poor leadership. Bill Dugdale is certainly likely to prove a tougher nut than his predecessor.

The coming pay round, against a background of sharply falling inflation, will prove a good test. If it turns out poorly, then surely we ought to have another look at the possibility of decentralising pay bargaining - which was, after all, at least one reason for getting rid of the National Water Council. I am copying this letter to the Chancellor of the Exchequer.

*Yours ever
Ferdinand*

FERDINAND MOUNT

CONFIDENTIAL

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

MS 26/10

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON
SW1H 9AT

22 October 1982

W

Dear Willie,

PM's Box

Thank you for sending me a copy of your letter of 19 October to Geoffrey Howe.

I agree with you that it would be unwise to attempt to override the statutorily enshrined procedures for changing the rates of firemen's pension contributions and that the earliest possible date for implementing an increase is 1 January 1983. I am reinforced in this view by the short time that the Fire Service Unions have had to consider the report prepared by the Government Actuary's Department. As we both know the FBU are already angry at our fast pace on this and if we were not to carry through the agreed consultative procedures then we could only increase markedly the risk of industrial action.

This still, of course, leaves us with a presentational problem in announcing the new pay rates for firemen against the background of the ongoing NHS pay dispute. The difficulties must, however, be reduced by the expectation that the level of pay settlement for the firemen is likely to be lower than we had earlier feared; and also by the adoption of your suggestion that we should link the announcement of pay with a strong indication that the increase will, within a matter of weeks, be largely offset by higher pension contributions.

I am copying this letter as you did yours to the Prime Minister and other interested Cabinet colleagues.

Yours ever

George

26 OCT 1982



Local Govt.

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cc Mr. Butler
Mr. Mount
Mr. Ingham

PA

MR. SCHOLAR

FIREMEN'S PAY

At lunch-time today I undertook to look into the background to Mr. Whitelaw's report to Cabinet, to the effect that the firemen's pay formula would produce only 7½% this year. I understand that what he said is consistent with his recent letter to the Chancellor, which I have still not yet seen.

The Home Office are quite clear that the 7½% is before any off-setting increase in pension contributions. The pay formula does leave room for negotiation because it involves updating the average earnings index over a period of several months. They say that they would expect the bracket to be 6%-8%, and that experience shows that the settlements will be towards the upper end. Nonetheless, I cannot reconcile the recent AEI figures with a 6%-8% bracket, so I have asked the Department of Employment to work it out independently on the basis of the exact formula.

As for the pension arrangements, Peter Gregson tells me that the Cabinet minutes will record that the Home Secretary intends to make it known as soon as the pay increase becomes public knowledge that he is considering an increase in pension contributions; and that he will draw attention to the parallel with the police. On the assumption that the pay figure becomes known on 26 October, I hope Mr. Ingham will stand by ready to reinforce whatever the Home Office says, so as to ensure that the media on 27 October will use the net figure.

21 October 1982

JOHN VEREKER

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CONFIDENTIAL

cc J.V.
Local
Sat

QUEEN ANNE'S GATE LONDON SW1H 9AT



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19 October 1982

Prime Minister (2)

Dear Jeffrey

MS

X is important.

Mus 21/10

FIRE SERVICE PAY AND PENSIONS

You and the other colleagues to whom I am copying this letter will wish to know where we stand on this year's fire service pay settlement and the related matter of an increase in pension contributions.

Fire service pay is settled between the local authority employers and the unions in the National Joint Council (NJC), on which central Government is not represented. In spite of their financial difficulties, the employers seem to be disposed once again to honour the formula linking firemen's pay with that of skilled manual workers; and our best guess is that this year the formula will produce a mid-point figure of a 7½% increase, although there is some scope for negotiation either side of this. The NJC will be meeting on 26 October and, if agreement is reached, the settlement could be announced at once. It will take effect from 7 November.

There is nothing the Government can do to influence the level of the pay settlement. What we can do - as we did this year in the case of the police - is to offset the pay award by imposing an increase in the rate of pension contribution paid by the fire service. I can do this, although I have a statutory duty to consult the Central Fire Brigades Advisory Councils (CFBAC) first.

Our evaluation of a recent report by the Government Actuary's Department suggests that at the existing contribution rate of 6¾% firemen are not paying enough for their pensions. An increase of 4% was imposed on the police in September and I am in no doubt that an increase of 3-4% would be justified in the case of the firemen. The pension schemes of the police and fire service, both of which provide for early retirement, are broadly comparable and we could not justify increasing the police contribution without treating the firemen in a similar way. There is, however, a problem of timing.

I would have liked to follow the police example and make the increase in pension contribution coincide with the pay settlement. This would produce a smaller, net, pay increase, which would be helpful in the context of other current pay negotiations; it would maximise the financial savings; and it would avoid the need for any reduction in take-home pay. But I am constrained by the statutory duty to consult and the need to allow a reasonable time for this.

The Rt. Hon. Sir Geoffrey Howe, QC. MP.

/contd ...

CONFIDENTIAL

CONFIDENTIAL

The FBU, who have engaged their own actuary, have asked for more time to consider the Government Actuary's Department report, which was sent to them on 18 August, and have only with difficulty been persuaded to agree to a preliminary discussion of the subject at the next meeting of the Joint Pensions Committee (JPC) on 27 October. Thereafter, the JPC will have to report to its parent bodies, the CFBAC which will meet on 9 November (England and Wales) and 12 November (Scotland), after which there will probably have to be further meetings of the JPC and possibly the CFBAC.

I have concluded that the earliest date on which I could impose an increase in pension contribution, assuming that agreement is not reached in negotiation, is 1 January 1983. Even this is a very tight timetable: it would give the fire service unions less time for consultation than the police, who complained that the decision in their case had been rushed.

Because of the statutory obligation, I shall not be able to announce my intention that the increase in the fire service pension contribution should take effect from 1 January until the formal consultation has started in the JPC on 27 October (the day after the pay negotiations). It is important, however, that any announcement on 26 October of a large pay increase should not go unqualified, particularly if the Health Service dispute is still continuing. Accordingly, if the pay increase is announced on 26 October (and it is by no means certain that agreement will be reached that day) I propose that this should be accompanied by press briefing to the effect that an increase in pension contribution is under discussion, drawing attention to the similarity between the firemen and the police, whose contribution was increased by 4%. Following the JPC meeting on 27 October I will then announce my intention that the increase would take effect from 1 January.

Subject to your views and those of our colleagues I intent to proceed in this way. I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Health and Social Services, and Employment, the Lord Privy Seal and Sir Robert Armstrong.

M. J. L. H. H. H.

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SCOTTISH OFFICE
NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Rt Hon Tom King MP
Minister of State
Department of the Environment
2 Marsham Street
LONDON SW1

NBPM

17/10/10

15 October 1982

INDUSTRIAL ACTION IN THE WATER INDUSTRY

I have seen a copy of your letter of 5 October to the Home Secretary about the proposed one day strike by water manual workers in England and Wales on 18 October.

As you know, wage negotiations for water workers in Scotland are carried out separately by a Joint Negotiating Committee. In past years the pattern of events has been for the union representatives here to follow the progress of the negotiations in England and to seek to obtain a similar settlement for their members. Although the settlement date for Scotland is also 5 December, a claim would not normally be submitted until about the end of October and this year none has so far been received by the Employers' Side of the JNC.

Previous industrial action by Scottish water workers has not been co-ordinated to any extent with action in England and I should not have expected any sympathetic action here in support of the one day strike on this occasion. However, I have been told that such support is being sought by the unions. The Employers' Side of the SJNC take the view that this action is quite unjustified as Scottish negotiations have not even been set in motion by the submission of a claim.

My information is that although some response to the call for strike action in Scotland may be expected, especially in the traditionally more militant areas, it is likely to be patchy and there is no intention to withdraw emergency cover or in any way threaten the health and safety of the public. The intention seems to be no more than to make a token gesture of support for the workers in England and Wales and therefore the Scottish authorities do not foresee any great problems.

I wholly agree with the low key approach proposed in your letter.

A copy of this letter goes to the recipients of yours.

ALLAN STEWART

CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

cc to
Local Govt

MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

Prime Minister (2)

5 October 1982

MUS 5/10

Dear Willie,

INDUSTRIAL ACTION IN THE WATER INDUSTRY

You will have seen from my letter of 24 September to Geoffrey Howe that the manual workers unions are planning a one day strike on 18 October. I understand that, since I wrote, the GMWU and TGWU national executives have endorsed their negotiators' recommendations and NUPE is likely to follow suit. Employers' representatives confirmed to me at a meeting last Thursday that the background to the action was as described in my earlier letter and emphasised that the decision was premeditated and in breach of agreements and understandings arrived at earlier in the year about the conduct of the initial negotiations. They were impervious to the employers' argument that a response by them on 11 November was reasonable and would still allow ample time for a settlement to be reached on 5 December.

The employers do not foresee any major difficulties in coping with the stoppage, and the impact on the general public should be minimal. Local union representatives are not happy about the action but will follow instructions: the response of the manuals' workforce is less certain. Sympathetic action by other groups is not contemplated, but local employers will take active steps to discourage it especially among the key craft group. I fully endorsed the employers' intentions not to play into the unions' hands by action which would give the strike unnecessary prominence but to try to give the impression of business as usual. There are no obvious indications that the unions are contemplating further industrial action at this stage, but the resumed negotiations on 11 November will be coloured by the response of the workforce and to some extent of the public to the strike action.

Against this background I do not think it would be wise for us to go out of our way to make public statements at this stage which would bring the strike into sharper public focus. However, we must not be thought to be condoning the action and, should a suitable opportunity occur or in answer to specific questions, we should deplore the irresponsibility of the unions concerned in taking such precipitate action with two months to go to their settlement date without giving the employers time to respond to their claim. We could also say that it is a futile gesture which hurts the workers most.

I am copying this to the Prime Minister, members of E Committee and the CCU and to Sir Robert Armstrong, and I would welcome any comments which you or they may have on the low key approach I am proposing.

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la

TOM KING

5 OCT 1982

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LOCAL GOVERNMENT.
Prime Minister

P. 0862

MR SCHOLAR

MISC 1/10

Industrial Action in the Water Industry

As you know the trades unions have called for a one-day strike in the water industry in England and Wales on 18 October. The Minister for Local Government in his letter to the Chancellor of the Exchequer of 24 September said that the strike is likely to cause no more than inconvenience, and I understand that the Department of the Environment see no need for any action on the part of the Civil Contingencies Unit.

2. However, further disruption in the water industry during the course of this year's pay negotiations clearly cannot be ruled out. The Official Group on Water (MISC 61) will therefore be updating the report which it submitted to Ministers last year on withstanding a water strike (circulated with the Home Secretary's minute of 22 October 1981 to the Prime Minister). The one-day strike on 18 October may offer some useful pointers to the attitude of management and supervisory staff, whose co-operation was previously identified as crucial to withstanding a lengthy strike in the water industry. Officials therefore think that it would be sensible to wait until the lessons of that strike can be assimilated before MISC 61 submits its next report. The aim will therefore be to submit a revised report to Ministers early in November (the pay settlement date is 7 December).

3. I am sending a copy of this minute to the Private Secretaries to the Home Secretary, the Secretaries of State for the Environment and Employment, the Minister for Local Government and Sir Robert Armstrong and Mr Sparrow.

P.L.G.

P L GREGSON

30 September 1982

CONFIDENTIAL

local Govt.

noted
on Mr King's copy letter
plus 27/9

MR. SCHOLAR

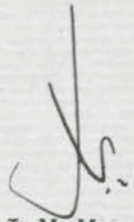
c. Mr. Mount

WATER PAY

I think the Prime Minister should see Mr. King's letter of 24 September to the Chancellor reporting on the breakdown last week of the pay negotiations for manual workers in the water industry. It is becoming clear that the water workers will be one of the most difficult groups this pay round, because of their aspirations to enter the league of the higher paid manual workers.

There is little to be done at this stage except wait and see how the negotiations develop. There are two particular indicators to watch:

- (i) how hard the new negotiating team are prepared to push the water workers. The assumption hitherto has been that the employers would not push matters to the extent of serious industrial action, but that may have changed. On the other hand, they do seem to have already taken up the position of defending the existing levels of water pay: Mr. King quotes them as pointing out that last year they got only 10% "against the national average of 10.9%", but the national average was in fact nearer 7½%. And in the previous year, of course, they got 12.3%;
- (ii) how widely supported any industrial action is. The Official Group (MISC 61) reported last year that the water workers were not a particularly militant body, and that the attitude of middle management to taking industrial action would be crucial in determining how effective such action was.


J.M.M. VEREKER

27 September 1982

CONFIDENTIAL

dc JV



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

Prime Minister

(2)

24 September 1982 We can only wait and

see. MISC 61 last year

reported that the water workers were

not particularly militant, and that

the attitude of middle management to

taking industrial action would be crucial

Dear Chancellor of the Exchequer,

WATER PAY

You will have seen reports of developments on Tuesday in the pay negotiations for the water manual workers. As expected the unions tabled a claim related to their earlier demands that water manual earnings be brought into line with the upper quartile of manual workers generally, about which I wrote to you on 21 June and 16 July. On available information this suggests an increase of the order of 15% but may also include a 'cost of living' element for this year. The claim also seeks an addition of one week in annual holiday entitlements and a reduction of one hour (to 38) in the working week. The employers, in line with established practice in the industry, indicated they would respond to the claim at the next scheduled meeting on 11 November. The unions would not accept this delay and when the employers refused to give a commitment in principle to the upper quartile claim they indicated that they would seek the approval of their National Executives to a one day national strike on 18 October.

in determining
how effective
such action
would
be.

MUS 27/9

Although the employers had assumed that the unions might be more militant this year than hitherto, they were clearly surprised by their reaction at this early stage. Their statement to the press points out that what they describe as a "deplorable and unnecessary decision" is in breach of the national agreements and that it is unacceptable that strike action should be called more than two months before the settlement date and before negotiations have started. There are a number of reasons to account for the unions militant attitude the most significant of which is perhaps that GMWU feels it has to reassert itself if it is not to continue to lose considerable numbers of its more militant membership to a more aggressive NUPE; also the NHS dispute is significant especially as the same unions are involved there. It may be also that it is a vague reflection of the pre-emptive Scargill tactics in the miners negotiations.

I understand that the workforce do not have to be consulted further about strike action. The extent to which the workforce positively support the action will give some indication whether this will be merely a token protest before getting down to serious negotiations or the beginning of continuing disruptive action which will make the negotiations more troublesome than we have known them. If the latter, it could have implications for the local authority manuals negotiations which are likely to get seriously under way in early November.

I understand that the employers do not intend to change their planned approach to the negotiations in response to the union action. The Combined Employers Committee will consider its response to the claim on 27 October and table it at the November NJIC. The one day strike itself may result in inconvenience where emergency action is needed but it is otherwise unlikely to be at all damaging.

Before the negotiations began I met a team of employers - Len Hill and Bill Dugdale, Chairmen of the water employers main negotiating teams, and Tag Taylor who is responsible for pay issues arising from the abolition of the NWC. I reinforced the message you gave to the NICG about our pay objectives and discussed the prospects as they saw them for the manuals negotiations. They anticipated the upper quartile claim and emphasised that the Combined Employers would continue, as they had done during the informal discussions during the last year, to refuse flatly to accept the validity of the unions' position on this issue but would indicate a willingness to consider other ways of improving earnings though only on a step by step approach in return for equivalent concessions relating to performance and other managerial objectives. I do not believe that last Tuesday's events will influence their approach.

At the meeting the employers responded very positively to comments I made about negotiating tactics especially in regard to the need for the lowest practicable opening offer and more measured improvements to it under pressure in negotiations than had happened in the previous negotiations. However they challenged my assertion, based on published settlement levels, that water manuals have done better than almost all other public sector groups in recent years; by way of example, they pointed out that their average earning outturn in the previous year showed an increase of 10% against the national average of 10.9%, and that reductions in numbers have resulted in much lower paybill increases than for many other groups.

*in fact,
the national
average
was
around
7 1/2 %
MCS*

It is widely supposed that the unions' perception that it is the Government's intention to introduce decentralised pay bargaining once NWC is abolished will harden their attitudes in what they choose to regard as these last negotiations at the national level. It is probably another contributing factor, though not an obvious one, to the line they adopted last Tuesday.

CONFIDENTIAL.

On the other hand, if the employers decide to continue centralised bargaining - and I shall be writing to you later about this when the matter has been further considered by them - there may be a possibility for exacting a price though whether in these negotiations as well as in those dealing with the future pay bargaining system is a matter of timing and other practical considerations.

It was obvious to me that with the absence of Sir Robert Marshall we have a new team of employers representatives who are keen to give a good account of themselves. I found their responses to many of the points I put to them refreshingly positive and encouraging. It remains to be seen how successful they are in carrying the other RWA Chairmen and the water company representatives on the Combined Employers Committee with them in what I read as their determination to achieve a more responsible outcome to this year's negotiations. In that respect I naturally gave them the assurances they sought that we would of course back them as far as we possibly could in dealing with any serious industrial action.

I shall be seeing the same team on other matters next week and shall take the opportunity to explore further last Tuesday's developments and the Combined Employers immediate reaction to them. I intend to consider with them if and how they might further exploit the inherent irresponsibility of the unions' actions and whether by applying public and private pressures they might be able to persuade the union hierarchies not to endorse their negotiators call for a stoppage. I do not consider, however, that it would at this immediate stage be helpful or appropriate for us to be seen to be involved though, if the decision to strike is taken, we must consider then the Government's reaction.

I am copying this to the Prime Minister and to other members of E Committee and to Sir Robert Armstrong.

Yours Sincerely,

M. L. Brasher (Private Secretary)

(pp) TOM KING
(approved by the Minister and
signed in his absence)

1982

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CJV

Local Gov Prime Minister (2)



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

26 July 1982

De Beffery

ms

BRITISH WATERWAYS BOARD STAFF AND MANUALS - PAY

This is to let you know of developments in the pay negotiations for British Waterways Board employees. At a first negotiating meeting with the small (800) salaried staff group the Board responded to the tabled claim for increases of 11.2%, reductions in hours and longer holidays with an offer involving 4% increases in pay and no concession on hours or holidays. This offer was rejected by the unions concerned (mainly NALGO). After further consideration I understand the Board increased their offer to 5.5%. The unions agreed to consider this, though they indicated it was unlikely to be acceptable. A further meeting has been arranged for 10 August.

Last week the Board made the same opening offer to their 2,300 manual workers. It was rejected, as was a further offer of 5%. A further meeting has been arranged for 29 July.

Prior to the start of these negotiations I had impressed on the Board Chairman, Sir Frank Price, that the financial situation of the Board did not justify high pay offers, and there was a need to relate settlements to improvements in productivity. We did not think that this message was properly taken on board in their conduct of the negotiations, so Michael Heseltine took advantage of a meeting we were holding with the full Board on other matters to re-inforce his concern on this subject. He expressed his surprise that a Board so dependent on public grant should already have gone so far so quickly in its offers and his belief that no further increase could be justified. The Board has been re-considering its bargaining strategy in the light of his comments, and I will keep you and colleagues informed of any further developments.

Copies of this letter go to members of E Committee.

2

TOM KING

26 JUL 1982



CONFIDENTIAL

CS JV

Local Govt



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

21 June 1982

Prime Minister (4)

Den Geaffrey

on Public Sector pay file
Mus 23/6

WATER PAY

In your minute of 9 June to the Prime Minister covering the Public Trading Sector Monitoring Report you referred to the press reports that the water manuals are seeking a special 15% comparability increase. This relates to the follow up to an agreement made in the context of but collateral to last year's annual settlement that the employers would, without commitment, consider representations by the unions on the position of the water workers in relation to the earnings of manual workers in the economy generally 'on the clear understanding that the employers will wish to ensure that corresponding benefits of equal value are obtained for management and customers'.

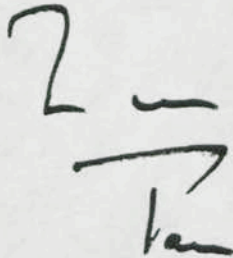
The press reports reflected the initial representations by the unions which have been put on the table at an informal joint meeting of the chairmen of the sides of the NJIC. The GMWU saw fit to report this to its annual conference even though there has been no substantive discussion or response by the employers so far. Sir Robert Marshall has assured my officials that the employers will in no circumstances respond positively to the unions' indexation proposal, but intend to direct the informal exploratory discussions toward consideration of their own proposals designed to improve performance and efficiency and, possibly, for a change in the annual settlement date to April. The Combined Employers Committee are reviewing the position at a meeting today and the informal joint discussions resume on 1 July.

The prospect of any substantive developments seems remote at least until the annual pay negotiations for the manuals group begin in the autumn. NWC regard it as inevitable that the issues will be subsumed by those negotiations, and it is their intention to try to ensure that the focus is then on their proposals and not those of the unions.

We are of course doing all we can to ensure that the employers continue to approach these discussions in a responsible manner taking full account of the Government's views on comparability, indexation and market forces. It is too early to assess their proposals in detail, especially whether they will be self-financing. We shall continue to emphasise however that we do not accept the view which has become increasingly prevalent among the employers in recent years that the water employees overall are inadequately paid, nor that they should in any case be regarded automatically as a special case because of their industrial muscle. You will appreciate that at this particular time there are special difficulties in taking up these matters with the NWC, and the consequences of the decisions we are announcing at the end of the month could affect the course of these joint discussions. I shall watch developments closely and act accordingly.

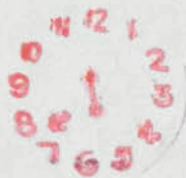
Turning to the water staff negotiations, I understand that NALGO has rejected the 7% offer made by the employers last week and has endorsed industrial action if it is not adequately improved. Negotiations resume tomorrow. I understand that the employers are not likely to improve the offer by any significant amount, if at all. There is obviously a particular difficulty about any higher offer in view of the Health Service situation and the other negotiations in which NALGO are involved.

I am copying this to the Prime Minister and to those to whom you copied your minute.

A handwritten signature in black ink, appearing to be 'Tom King', with a large '2' above it and a horizontal line below the 'm'.

TOM KING

12 2 JUN 1982



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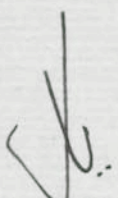
Local Govt

SCHOLAR

cc Mr Ingham

LOCAL AUTHORITY MANUALS

The Department of the Environment have drawn my attention to a mistake in the letter of 11 December from Mr Heseltine to the Chancellor which reports the local authority manuals' settlement. The unions are not "unanimously recommending" the offer; they have unanimously agreed to put it to their members without recommendation.



J. VEREKER

14 December 1981

6
MR INGHAM

cc: Mr Whitmore
Mr Scholar ✓
Mr Pattison
Mr Hoskyns
Press Office

LOCAL AUTHORITY MANUALS' PAY

I know you are already well briefed for this afternoon's lobby on the Local Authorities' pay offer to Manual Workers, but it may be helpful to you and others who have expressed an interest if I set out some of the points we need to get across:-

(1) Negotiations are continuing: the Government is not a party to them, and we must therefore be careful that we are not drawn in. The employers have made their offer (I have not yet seen authoritative details, but it is widely reported as 7.8% on basic rates). The unions have not formally accepted, it although they are clearly pleased; there will be a period of consultation; and a decision will be given by the unions at a meeting with the employers on 25 January.

(2) The employers themselves (viz. ITV News at Ten last night) have said that they cannot afford the offer. So it will have to be paid for either by increased rates or more redundancies. That cannot be good news for anyone.

(3) This is not the end of the 4% cash limit pay factor. The 4% pay factor is set by the Government, and does not control what non-Government employers may do. It simply determines what the central government assumes for pay, and to the extent that local authority employers have gone beyond it, they will have to find the money from elsewhere. The 4% pay factor remains intact for the Government's own employees. We cannot speculate how negotiations with central government employees (Civil Service, Health Service) may go, because their settlement is not due until 1 April.

11 December, 1981

CONFIDENTIAL

cc JV. / B.I. 2

Local Govt

2 MARSHAM STREET
LONDON SW1P 3EB



Prime Minister

My ref:

Your ref:

11 December 1981

See briefing

*MP
11/12*

mt

LOCAL AUTHORITY MANUALS

Colleagues will have read of the regrettable settlement for local authority manuals.

The offer which the unions are unanimously recommending to their members is for a £4.60 increase on base rates across the board (6% - 7.8% on the various rates); this is the same amount in cash terms as they received last year but it represents 6.9% on the current pay bill. A commitment to reduce working hours next November by one hour was apparently conceded as the only way of securing acceptance of the pay offer: the 2 sides agreed to examine how this can be achieved 'without loss of jobs', which I understand the employers construe as 'at no extra cost'. There are also some small concessions on holidays with only a marginal cost.

These developments are of course quite different from what we were led to suppose might happen when we discussed the pay situation with LACSAB in October at their request; it is also at variance with what I had been told privately was the outcome of LACSAB's survey of individual local authorities' views.

I understand that the initial line-up of the employers reflected the more robust line I had been led to expect but as the negotiations wore on a clear party divide emerged. In the event the matter was settled on straight party political lines. The Labour Leader of South Yorkshire Metropolitan County used his casting vote against a solid block of Conservative representatives, every one of those being eligible to attend being present.

The explanation given is that the decision to go for a settlement was taken because it was felt that the manuals group have been steadily falling behind, and have not received any benefit from the fact that their outturn wage bill costs have been much lower over the last 2 years than the levels of settlement because they have borne the brunt of the reductions in jobs and hours; it is generally assumed that this will continue to be the case.

It is further said that the employers' strategy is to isolate the manuals' settlement from the other groups and I understand that statements made by LACSAB after the negotiations were directed to that end. It seems now that the employers are, contrary to what they said in October, contemplating differential and lower settlement levels for the teachers and white collar grades. I am very sceptical about the will of the employers to see through a policy of this sort.

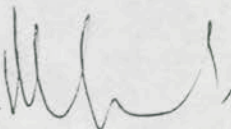
I have to report that the level of the final offer was said to have been influenced by the robustness of the unions' claim for an RPI increase accentuated by the play they made of the increased costs to

CONFIDENTIAL

their members arising from the announcements you made last week and by the developments in the miners and water workers negotiations, as well as by the reduction of jobs etc I referred to above.

I have already made public my reactions to what has happened, but not, I hope, in a way likely to prejudice the decisions of the work force who have yet to ratify the settlement. Although local authorities subscribe voluntarily to the national agreement, I do not believe that they can do other than apply the terms of the settlement.

I am copying this to the Prime Minister, all members of Cabinet, the Chief Whip, and to Sir Robert Armstrong.

Yours
ew


MICHAEL HESELTINE

gc JV
AD



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

Prime Minister (4)

10 December 1981

MS 10/12

De Guffey.

mf

WATER MANUALS PAY NEGOTIATIONS

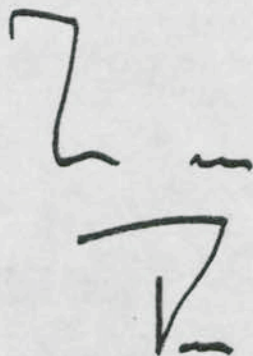
The water manuals union negotiators are unanimously recommending to their members an offer made at Tuesday's NJIC meeting which gives cash increases on basic rates equivalent to between 9 and 9.1%; consequential increases to shift pay and the marginal increase in minimum holiday entitlement already on the table will add up to a further 0.1%. This represents an increase of about 8.8% on average earnings, and of approximately 8.9% on the pay bill (with an outturn 2% or so below this if the pattern of last year is repeated).

As I intimated might happen in my letter of 4 December, a collateral agreement was reached to the effect that 'careful consideration would be given to the representations made by the Trade Union side on the position of NJIC employees in relation to the earnings of manual workers in the economy generally on the clear understanding that the employers would wish to ensure that corresponding benefits of equivalent value were obtained for management and customers. The consideration of the trade union proposals would be without commitment and would be considered outside pay negotiations'. No timetable for consideration of the proposals has been fixed.

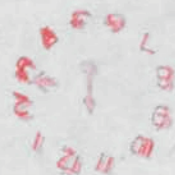
At the time the union negotiators took their final decision they must have known about the outcome of the miners negotiations. I think they must be reasonably confident that their members will accept, otherwise they would not be risking a rejection of a recommended offer for the third year running. In public statements made after the negotiations they said that they thought it would need a strike to persuade the employers to put more money on the table. The fact that some sections of the press, probably encouraged by the unions, are interpreting the collateral agreement as a commitment to examine indexation similar to the firemen may forebode difficulties for the future but, immediately, this would have a beneficial influence on the decisions of the workers. The unions carry out their consultations in various ways, in most cases by regional delegate conferences, and they will let NWC know their timetable shortly; a decision does not seem likely before Christmas.

It is of course important that we should not at this stage make any public statements about the offer which might prejudice acceptance by the workforce; nor is there anything that we could reasonably say about it which would encourage acceptance. I believe therefore that we shall have to adopt a low profile during the consultative period, leaving ourselves free to comment as robustly as we wish once a settlement has been ratified. Although I appreciate that in the coalminers negotiations the ball is in the union's court, anything that can be done to defer or to minimise the possible adverse impact on the waterworkers of developments would of course be helpful.

I am copying this to members of E Committee, and to George Younger, Nicholas Edwards, David Howell, Norman Fowler and to Sir Robert Armstrong.



TOM KING



1700 DECEMBER



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

8 December 1981

The Rt. Hon. Tom King, MP
Minister for Local Government and
Environmental Services,
Department of the Environment
2, Marsham Street
SW1.

Dr. Tom

WATER MANUALS' PAY

Thank you for your letter of 4 December.

I continue to be unable to understand why the National Water Council see advantage in continuing to make concessions in negotiations which can hardly reach any result until the likely shape of the coal industry settlement is clearer. But given that the strong arguments against this course have been squarely put to them - and rejected - I accept that there is nothing more that you can do about the further increase in the pay offer which is now proposed. But once again, I think we must make our view perfectly clear.

You also mention, however, that the employers are inclining towards agreeing to a joint study with the unions of watermanuals' pay. Experience in the current negotiations gives no grounds to expect that the employers would take a firm line in such a study. There must be a danger that it could develop into little more than a comparability exercise designed to make the case for further increases in pay (in spite of the assurances which Sir Robert Marshall has given you). I think therefore that the progress of this idea needs to be closely watched, and I would be grateful if you could keep colleagues in touch with developments.

I am copying this letter to members of E Committee and to George Younger, Nicholas Edwards, David Howell, Norman Fowler, and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

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11 12 1 2 3
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cc JV
AD

DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MUS 4/12

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

My Ref: K/PSO/35875/81

4th December 1981

Dear Geoffrey,

WATER MANUALS PAY

You asked me in your letter of 26 November what I see as the next moves in the water manuals negotiations.

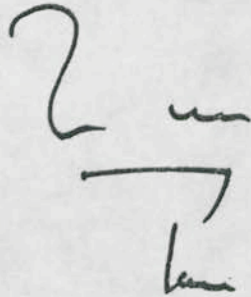
I arranged for officials to explore the possibilities directly with Sir Robert Marshall, who has emphasised that the unions, especially NUPE and TGWU, are continuing to press uncompromisingly for RPI increases. He believes that Wednesday's announcements will inevitably harden their attitudes, although we have of course drawn his attention to the petrol tankers ballot. The employers have seriously considered and rejected standing firm on their previous offer at next Tuesday's negotiating meeting. They believe that to do so would probably lead to the negotiations breaking down. Although the final decision will be taken by the negotiating group on the morning of the NJIC meeting, the current offer will probably be improved to give a further 50p (0.6%) on the basic rate. This would keep it within the current negotiating range (6½ - 9%) previously decided by the Combined Employers.

Besides the immediate increase, the unions have attached considerable importance to a request to study jointly with the employers the general position of water manuals' pay, both in its own right and vis-a-vis other manual workers. The Combined Employers have so far rejected this proposal; but are now considering whether some concession on this issue would persuade the unions to recommend an offer within the current negotiating range. What is in mind is an undertaking outside the formal negotiations to enter into long-term discussions of the whole area of pay and conditions, in which concessions by the employers would have to be matched by equivalent concessions on general efficiency and performance, operating practices, and possibly limits on recourse to industrial action. There could in fact be real benefits if operating practices were reformed to get the industry on a sensible 7 day working basis and avoid so much of the call-out, overtime arrangements which cost a lot of money.

My officials have drawn Sir Robert's attention to the Government's general views on indexation and formal comparability, and he has assured them that there was no risk that any undertaking given now would imply any commitment in that direction. I think we can accept that assurance.

Sir Robert is clearly in very close touch with the NCB, which is the best guarantee against mutual embarrassment. He is also aware of my adverse reactions to his negotiating tactics so far. I do not propose to speak to him further as there is nothing fresh that I could usefully say to him at this stage.

/ I am copying this letter to the recipients of yours.

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by a horizontal line and a vertical line, resembling the name 'Tom King'.

TOM KING

4 DEC 1981

0 11 12 1
9 8 7 6 5 4 3 2

Local Govt

4



Prime Minister

ms 26/11

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

26 November 1981

The Rt. Hon. Tom King, MP.,
Minister for Local Government and
Environmental Services,
Department of the Environment

ms

Tom

WATER MANUALS PAY NEGOTIATIONS

TPM'd (with mcs?)

Thank you for your letter of 23 November about recent moves in these negotiations, and the highly unsatisfactory situation which has emerged as a result.

I was grateful for the effort you made to put to the National Water Council the points in my letter of 17 November. The responsibility for the setback on 18 November to hopes of a moderate settlement clearly rests with Sir Robert Marshall. I am sure that it is right to leave him no doubt about our dissatisfaction with the way things have gone, and to do all we can to secure a more effective approach in the remainder of the negotiations. I do not think that we shall risk getting drawn into a leading role as long as we are essentially giving our views on figures which the NWC themselves put forward.

What do you see as the likely next moves in these negotiations?

I am copying this letter to members of E Committee and to George Younger, Nicholas Edwards, David Howell, Norman Fowler, and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE



LSU
AD

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

Mus 23/11

23 November 1981

[Handwritten signature]

Dear Geoffrey,

WATER MANUALS PAY NEGOTIATIONS

You will have seen that in the resumed negotiations for the water manuals group on Wednesday the unions rejected an improved offer, made in terms of cash increases on base rates, worth 8.1% on rates and about 7.8% on earnings. There were small consequential increases on shift pay and the minimum concession on holiday remains the same as in the opening offer.

I had been told on Tuesday evening of the possibility that the employers might make an offer in excess of the 7½% which had been mentioned to me by Sir Robert Marshall in my discussions with him last week. I spoke to him immediately before his negotiating team met. As I had done last week, I again emphasised the point which you also made in your letter to Michael Heseltine of 17 November, that, if there were no prospect of a settlement, it was not necessary to improve or adjust the opening offer by more than the absolute minimum token amount necessary to keep a dialogue going. Marshall's response was that he and his fellow employers involved in the negotiations had considered this possibility as well as that of deferring the negotiations but had concluded that both courses would probably lead to industrial unrest and would in the longer term be counter-productive. They recognised that they they would not be in a position to make an offer which the union negotiators would consider sufficient to recommend to their workforce but they had unanimously decided that they should pitch their offer at a level which, whilst not in any way embarrassing the miners negotiations, might be sufficient for the union negotiators to put to their members without a recommendation, or, in the case of the more hawkish unions, with a recommendation to reject: they believed that there was a chance, albeit a remote one, that the workforce would even in these circumstances accept the offer. I expressed in the strongest possible terms my scepticism about that approach which offered little prospect of success but would leave the employers exposed with a high offer on the table. Robert Marshall was left in no doubt about the strength of my feelings on the proposed approach but, while promising to consider what I had said, he

MCS Dip

emphasised that he and the RWA chairmen leading the negotiations were unanimous that it offered the best way forward and negotiating tactics were their prerogative. I was satisfied that he and his officials were in close touch with their counterparts in NCB and knew the details of the offer to the miners and the extent to which they could use them in their own negotiations; he assured me that there would be no developments which would embarrass the NCB.

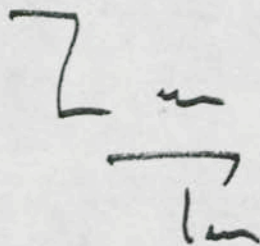
I am naturally very concerned about the outcome of the negotiations which was exactly as I warned it would be. I shall leave Robert Marshall in no doubt of our views on the handling of all the negotiations so far, before the NJIC meets again on 8 December. We shall continue to exert the maximum pressure on him, but we shall have to take care now that we do not get so involved in the fine-tuning of the negotiations that the employers have the opportunity to implicate the Government in the final settlement, as they did last year, to an extent that we cannot respond critically to it.

I have no reason to suppose that there is any significant disagreement among the RWA chairmen on the line taken so far. But they are particularly susceptible to NWC influence in pay matters and Robert Marshall is not subject to the same disciplines as in other nationalised industries where policies on pay are the prerogative of their Boards.

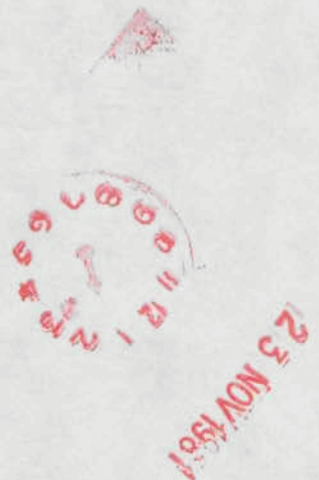
After the negotiations NWC officials told mine that informal discussions with the unions after the negotiations suggested that, although their positions varied, a further small increase might well secure their recommendation to accept. The reported public attitudes of the unions do not suggest it will be that easy.

The water craftsmen tabled a claim on Thursday which was essentially the same as the initial manual claim. Negotiations were adjourned until 15 December without an offer from the employers.

I am copying this to members of E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.



TOM KING





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

17 November 1981

The Rt. Hon. Michael Heseltine, MP.,
Secretary of State for the Environment

Michael

WATER MANUALS' PAY NEGOTIATIONS

Tom King's Private Secretary wrote to mine on 13 November about the prospects for these negotiations when they resume on 18 November.

I confess that I do not understand Sir Robert Marshall's tactical judgement that it is necessary to improve the offer to the manuals at a meeting which holds no prospects of a settlement. I should have thought that the effect could only be to raise the starting point when serious bargaining about the settlement level resumes in due course. I can see that it is important to keep the dialogue going; but it would surely be possible to do so less damagingly, e.g. by talking about ways in which the existing offer could be re-allocated. If the unions are not prepared to move until there has been further progress in the coal industry negotiations, they can hardly be expecting much movement from the employers either.

If, for reasons which are not clear to me, the offer has to be increased, I would hope that a figure as high as 7.5 per cent would not be mentioned. This would be higher than the revised offer made to the miners (which, although rejected, has still not been increased), just as the opening offer was higher than the opening offer to the miners. Such an approach is scarcely consistent with getting a settlement which is lower than the miners'.

Finally, I am not clear why the offer to the miners cannot be presented to the water workers as much lower than 9.1 per cent. The relevant figure for comparisons is the 7.3 per cent on earnings which the offer to the miners represents. Surely the water industry employers can point this out to the unions in the negotiations? So far as I know, there is nothing secret about the figures - the press has already indicated that the effect on earnings of the offer to the miners is less than the effect on basic rates.

I regard it as important that these points should be put to the employers before the meeting on 18 November. It seems to me quite wrong that there should apparently be a real risk that the negotiations with the water workers will start to set the pace. Given that the unions are evidently prepared to wait on developments in the coal industry negotiations, it seems to me that the employers should do so too.

Prime Minister (2)

cc AD ✓
JV ✓
MS 18/11

Local
Sat

ms

CONFIDENTIAL



I am copying this letter to members of E Committee and to George Younger, Nicholas Edwards, David Howell, Norman Fowler, and to Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature, likely of Geoffrey Howe, with several horizontal lines above and below it, possibly indicating a signature line or a scribble.

A red circular postmark with numbers 1 through 12 around the perimeter, and a vertical red date stamp to its right that reads "17 NOV 1981".

CONFIDENTIAL

R H

16 November, 1981

Water Manuals Pay Negotiations

The Prime Minister has seen and noted the Chancellor's minute of 9 November.

I am sending copies of this letter to the Private Secretaries to the members of E Committee, Muir Russell (Scottish Office), Anthony Mayer (Department of Transport), John Craig (Welsh Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerry Esq
HM Treasury

CONFIDENTIAL

80

Local Govt



*J Verker
AD*

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

2

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

13 November 1981

Prime Minister

Two papers

Mr King said the right

** things - but Sir R Marshall*

is already off track.

Dear Private Secretary,

** in line
with the
Chancellor's*

WATER MANUALS PAY NEGOTIATIONS *minute
, attached.*

Mes 13/11

My Minister, who is out of the office today, has asked me to report on the prospects for the water manuals negotiations which resume on 18 November. He spoke with Sir Robert Marshall after it was known that the NUM had rejected the Coal Board's offer, and earlier Mr Shaw had discussed the situation with Mr Hill who leads the employers' negotiating team. The Ministers expressed their disappointment that the water employers opening offer was higher than seemed necessary in the circumstances, and urged, as they have done on previous occasions, that they should be looking for a settlement which will be within and not at the level eventually achieved by the miners.

Sir Robert Marshall told Mr King that in view of developments in the miners' negotiations there was now no prospect of a settlement in next Wednesday's negotiations. In order to keep the dialogue going the employers would have to improve the opening offer and the minimum needed might be up to about 7½%. He was personally in close touch with Sir Derek Ezra (and we are assured that officials of the NWC and NCB are maintaining a close liaison). On the prospects for an eventual settlement, he remained optimistic that this would be achieved within the employers' present negotiating range of 6½% - 9%, but he assured the Minister that the employers were totally united in their determination to get the lowest achievable settlement.

Mr King expressed his concern that the water workers would assume the reported 9.1% offer to the miners to be the 'going rate' when, as Sir Robert already knew, that figure did not represent the level at which any rational read across should be made. This does of course make the water position difficult since no publicity can be given to the lower figures, and in this respect they will have to rely on NCB to assist them as much as they can.

Mr King also emphasised the need to keep the increase to be made to the opening offer next Wednesday to the minimum so as not to unnecessarily raise the base for the further increase that will be necessary to achieve a settlement in due course. Since the employers negotiating team do not meet until the morning of the negotiations, it seems unlikely that there will be any further opportunity to comment on their negotiating position before the NJIC meets.

I am copying this to the private secretaries of other members of E Committee, of the Secretaries of State for Social Services, Transport, Scotland and Wales and the Paymaster General, and of Sir Robert Armstrong.

Yours Sincerely,

Martin Brasher
2

MARTIN BRASHER
Private Secretary

7 6 5 4 3 2 1
B 9 8
13 NOV 1981

PART 1 ends:-

9.11.87

PART 2 begins:-

13.11.87

