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Prime Minister (2)

ms 26/10

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

01-211 6402

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

25 October 1982

Dr Chamberlain

BGC PAY NEGOTIATIONS

In my letter of 11 October I told you that the Gas Staffs and Senior Officers (GSSO) had given the British Gas Corporation notice of their intention to refer their current pay claim to conciliation and/or arbitration and I mentioned that BGC would be prepared marginally to improve their offer during conciliation in order to secure agreement.

BGC and the unions attended exploratory talks at ACAS on 18 October and as a result of proposals put forward by the management during those discussions a settlement has now been reached. The agreement, which is effective from 1 June, provides for an increase of 5.5% for junior staff (unchanged from the previous offer) and increases for clerical grades and above ranging from 6.8% to 7.55% (compared with the previous offer of 6.5% to 7.4%). All grades will receive an extra day's holiday. BGC have advised us that the package will increase average earnings by just over 7%, and the wage bill by 7.4%. (The fact that the average earnings figure is unchanged from that in my last letter arises from a recalculation by BGC of their previous offer).

BGC's Higher Management, whose settlement date is also 1 June, rejected an offer of 7% in June and have been awaiting the GSSO settlement. These negotiations are expected to resume on 28 October. BGC have not yet formulated a revised offer but it is likely to be very close to the increase of 7½% agreed at the top end of the GSSO range.

CONFIDENTIAL

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

U. Sinclair

J. P. Clark

Y/ NIGEL LAWSON

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

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SECRETARY OF STATE FOR ENERGY
11, PARLIAMENT SQUARE
MILLBANK LONDON SW1P 4DJ

Prime Minister (2)

01 211 6402

MUS 2/11

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

2 November 1982

Dear Chancellor,

[Handwritten mark]

BGC PAY NEGOTIATIONS

At a meeting on 28 October the British Gas Corporation reached a settlement in their pay negotiations with their Higher Management. The negotiations had been virtually in suspense pending the outcome of the Gas Staffs and Senior Officers' (GSSO) settlement, reported in my letter of 25 October.

The Higher Management will receive an across the board increase of 7.3% on basic salaries with effect from 1 June. There are no other items in the deal. Since there are several allowances which remain unchanged the settlement will increase average earnings by 7.1%. The increase on basic salaries is slightly above the 7.55% agreed for the most senior GSSO grades but the latter package did, of course, also include an extra day's holiday.

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

[Handwritten signature]
Nigel Lawson

NIGEL LAWSON

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

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