

SECRET



DEPARTMENT OF THE ENVIRONMENT
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MINISTER FOR LOCAL GOVERNMENT
AND ENVIRONMENTAL SERVICES

12 November 1982

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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

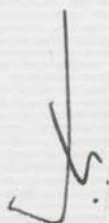
WATER WORKERS

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

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, appearing to be 'J.K.' or similar, located below the main text.

12 November 1982

Local Govt.
Pay of L.A. workers
Pt. 2

12 NOV 1962

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10 9 2
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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.