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PREM 19/2393

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SECRET + PERSONAL

NEW FILE COVER

CONFIDENTIAL FILING

The Study by Misc 69 of Withstanding a tele communications strike

Industrial Action at British Telecom

POST AND TELECOMMUNICATIONS

January 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~26.1.87~~							
~~28.1.87~~							
~~29.1.87~~							
~~4.2.87~~							
~~9.2.87~~							
3.3.87							

PREM 19/2393

2G/1400

From: Mr C K Davies
Date: 3 March 1987

MR MALLABY
BRIGADIER BUDD
GP CAPT PINNEY
MR MORRISON
MR POWELL (NO 10)

CDP
3/3

LESSONS LEARNED FROM THE BT INDUSTRIAL ACTION
21 JANUARY - 12 FEBRUARY 1987

LOSS OF SERVICE IN THE CABINET OFFICE

TELEPHONES

1. There were no major breakdowns. Some difficulty was experienced in the office of the Lord Privy Seal, and this and other faults took longer to rectify than would normally be the case.

COMCEN

2. Only one circuit was out of service for any length of time, that with the American Embassy but alternative routings were available.

COBR

3. Experienced neglible difficulties. The COBR was activated during this period for a Terrorist Exercise and no difficulty was experienced with communications.

NO 10 AND CHEQUERS

4. A major failure of the telephone exchange was experienced in No 10. It was fortunate that a non-Union BT engineer was on hand and it was rectified quickly. There was a failure of the Chequers secure teleprinter line (the alternate, a secure facsimile circuit, was unaffected) which BT staff were reluctant to deal with because they were afraid of upsetting relations with the NCU in the area. However, No 10 were concerned that the service should be restored because the Prime Minister was going to Chequers for the weekend. BT were pressed and they dealt with the fault (it is unfortunate that the PM's visit to Chequers was subsequently cancelled).

EXPERIENCES WITH BT

5. BT managers did all they possibly could to help. They were unable in some cases to enter exchanges due to picketing and in some areas were reluctant to exacerbate the situation by being seen to deal with faults not associated with emergency services. We were fortunate in having a number of non-Union engineers amongst those who regularly attend the Cabinet Office and No 10. BT managers gave regular reports both verbally and in writing on the state of negotiations and did their best to keep us in the picture. Most of the BT team dealing with the STS are non-Union and special working arrangements were made to provide continuity of maintenance. We have very good liaison contacts in both BT and BTI and these responded extremely well to our requests for assistance.

SHORTCOMINGS IN OUR COMMUNICATIONS ARRANGEMENTS

6. A number of areas are weak. The failure in the No 10 Telephone Exchange was because a non-duplicated part of the system, a power supply, failed. There are a number of by-pass circuits in No 10 which will allow the Private Office and other offices to have a very small number of telephones. If the same failure had occurred in 70 Whitehall there would have been virtually no residual service available. The "flood" switch-board would theoretically have been available to serve some 50 extensions but in practice telephones have, over a number of years, been removed as being a nusiance and, where rooms have been redecorated sockets have been painted over and are unusable.

POSSIBLE IMPROVEMENTS

7. Although British Telecom staff responded favourably, action was obtained on a very piecemeal basis. It would be an advantage if BT had one Reporting Centre for faults during emergencies which covered telephones, telegraph and data services. Faults might usefully be graded eg Priority 1 Emergency Service, Priority 2 State Security, Priority 3 Essential to Government etc.

8. A circular letter from the Chairman of Mercury offered services which would be unaffected by the strike. In practice I think there is some way to go before we can actually take full advantage of these. However, we are in touch with Mercury and we intend, if feasible, practical and economic, to transfer a number of British Telecom services to Mercury. These could be particularly useful in by-pass arrangements in the event of failure of CBX nodes eg in the event of failure of the 270 exchange in 70 Whitehall.

9. Very limited use was made of cellular radio. Some loans were made to a number of officers who were on call and who had problems with their home telephones. If the industrial action had persisted there might have been more need for these and a small pool of equipments might be considered for the future (especially if these could have other roles eg in terrorist incidents).

10. The "Flood" switchboard might be re-engineered to provide a limited service but it is apparent that unless the system is in daily use it is likely to fall into disrepair as the manual system has done. We are considering possibilities.

11. Improvements are being sought in the power supply for the No 10 Exchange.

CONCLUSIONS

12. BT management and non-Union staff gave considerable support throughout the period and are to be commended for this. Our services were not badly affected and we encountered no serious difficulty. However, we need to ensure that there is diversity in our communications arrangements which will allow us to continue to be able to function efficiently under crisis conditions and to do this it is necessary to review the arrangements for fall-back, in particular for the telephone system. The main opportunity for diversification lies in the use of Mercury and this is being considered. Other, more specific areas where faults occurred are being treated to ensure that a better level of service is maintained in the future.

Note: This subject is being addressed also by the Sub-Committee on Peacetime Emergencies, T(PE) on 31. 3. 87.

C K DAVIES
Telecommunications Secretary

SECRET file

BM
23
20.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 March 1987

BT DISPUTE

Thank you for your letter of 23 March about the options for giving greater scope to Mercury during the recent BT dispute. The Prime Minister has noted the position.

I am copying this letter to Stephen Boys Smith (Home Office), Alex Allan (HM Treasury) and Brian Unwin (Cabinet Office).

(David Norgrove)

Timothy Walker, Esq.,
Department of Trade and Industry

SECRET

SECRET

Ref. A087/531

MR NORGROVE

Prime Minister 2
DCR
26/2

attached.

I have seen a copy of the letter which the Secretary of State for Trade and Industry's Private Secretary sent to you on 23 February about the BT dispute.

2. I am sure that the Prime Minister will remember that there are certain aspects of the BT monopoly for the retention of which there are particular security reasons. The Prime Minister recently agreed to the removal of one of those aspects, despite the security objections; and the problem of the "master socket" is still under consideration.

3. This is a dimension on which it is necessary to keep an eye when questions of further erosion of the BT monopoly are under consideration.

RA

ROBERT ARMSTRONG

26 February 1987

SECRET

26. II.

copy no 1 of 5

18

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Secretary of State for Trade and Industry

PS/

SECRET

23 February 1987

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear David

BT DISPUTE

Your letter of 29 January recorded the outcome of the Prime Minister's meeting earlier that day on the BT dispute. It was agreed that this Department should consider whether in principle action could be taken with or without legislation to give greater scope to Mercury to provide alternative services to those offered by BT and also to reduce BT monopoly powers more generally.

It was also agreed that this must be considered against the commitments to BT contained in its privatisation prospectus and similar undertakings given to Mercury. Any significant disruption of these commitments would not only undermine Mercury's ability to provide a reliable service competing with BT but could also leave the Government vulnerable to charges of bad faith and even legal action.

In fact, as Nicola Parkins' letter of 4 February indicated, Mercury were not looking at that stage for actions from Government in connection with the BT dispute. Mercury had enough business to cope with in the short term, given its resources, though it approached BT and OFTEL to seek some temporary relaxations particularly on the connections of Mercury circuits to business systems already secured by BT's network and on the maintenance by Mercury of BT supplied business systems. Arrangements were in hand for certain relaxations to be considered on a case by case basis but the ending of the dispute overtook these.

DW3BRZ

999-1

Against this background, officials from this Department and OFTEL had also been considering other possibilities on a provisional basis. They had identified some lines of action that could be pursued, should matters worsen, such as further relaxing installation and maintenance requirements, or allowing privately provided systems to carry public network traffic but virtually all carried some major drawbacks.

First the effect of most of them would have been marginal for the classes of consumer most affected by the dispute - the residential user and the small company. BT were already giving priority to their more important customers, including Government, the City and major companies. By contrast residential users or small companies were unlikely to be close to a Mercury line, nor were Mercury likely to give them priority in supplying services in preference to large customers.

Second, and a key point, any action would have been difficult or controversial to undo once the dispute was over. Most of the relaxations envisaged would have had direct adverse commercial effects not only on BT but also on Mercury. Moreover the more meaningful of the remaining relaxations, such as allowing independent contractors to repair and maintain BT-supplied systems or to liberalise the master socket, would have carried a risk of longer term damage to the network. Finally, and crucially, they were relaxations which the Government has hitherto eschewed, even in the face of pressures for liberalisation, because of the constraints they would impose on operations touching on national security.

Given therefore that the possible changes would only have had a marginal immediate effect, it is helpful that the network proved as resilient as it did and encouraging that BT's continuing investment programme is likely to increase this resilience. Even so, in the light of the dispute my Secretary of State would like to see further thought given to how the inhibitions that security considerations impose might be lessened and will be returning to this issue in coming months in the context of the review being carried out under Home Office auspices.

A copy of this letter goes to Stephen Boys Smith at the Home Office, Brian Unwin at the Cabinet Office and Alex Allan at the Treasury since the Treasury specifically asked to see a copy of this reply. In view of its contents, however, I am not giving the reply the wider circulation of your original note.

Yours

TIMOTHY WALKER
Private Secretary

DW3BRZ

POST + TELEC

INDUSTRIAL

- ACTION

AT&T 1/12

CC: BG

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PS/ *Secretary of State for Trade and Industry*

CONFIDENTIAL

9 February 1987

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1A 2AA

MS

Prime Minister 2

The pay settlement does not look high, in the face of it.

DHS
10/2

Dear David,

BT DISPUTE

My Secretary of State thought it might be helpful to give you and other Departments further details on the outline agreement reached between BT and the NCU Executive yesterday. I attach an information sheet by way of summary which gives the details.

BT is satisfied with the outline agreement reached yesterday, which includes a number of points of flexibility which will be valuable to the company. These include greater flexibility in the composition and availability of engineering teams and redefining job descriptions to allow more flexible working practices. On pay levels, BT's major concession in their view has been the consolidation of the flexibility-linked bonuses into the pay rates - though you will see that the second larger payment is not due to be paid until June 1988 and will be subject to confirmation at local level that the efficiency measures have been implemented. Discussions are still continuing with the NCU clerical section.

Until Wednesday's ballot, BT plan to keep a low profile, in order to allow the NCU executive to persuade their members of the merit of the outline agreement. If the dispute is raised in the House tomorrow, we would suggest the Prime Minister takes a similar low-key line of welcoming the talks that have taken place and expressing the hope that the ballot on Wednesday results in a speedy return to work.

JG1AQC

999-1

On the operational side, you will wish to know that the BT network is continuing to prove resilient. Yesterday only one exchange was out of action - for a period of 100 minutes - and BT reported no other significant problems.

I am copying this letter to Joan MacNaughton (Lord President's Office), Will iam Fittall (Home Office), Geoff Dart (Department of Energy), Geoff Podger (DHSS), Shirley Stagg (MAFF), Chris Capella (Paymaster General's Office), Simon Judge (HM Treasury) and Brian Unwin (Cabinet Office).

Yours sincerely

CAROLYNE AKERS
Private Secretary

JG1AQC

INFORMATION SHEET

British Telecom has been informed that the Executive of the Engineering Group of the National Communications Union (NCU-E) has agreed that it would recommend acceptance and a return to work by its members on the basis of an outline offer which has emerged from exploratory discussions. A formal offer on this basis will now be put to the Union.

Meanwhile, the Union is making arrangements for a ballot of its Engineering Group members on its recommendations, to be held on Wednesday 11 February.

Subject to the ballot resulting in acceptance of the offer and agreement to return to work, arrangements for a phased return to work from 12 February are being separately agreed with the Union.

THE OUTLINE OFFER

BT is prepared to offer a single two year agreement, in full settlement of the 1986 and 1987 national claims, and providing for payments to all NCU engineering grades* as follows :

1. With effect from 1 July 1986, a consolidated increase on grade rates of 5.02%. This increase is associated with the efficiency measures described below which form part of the agreement. These measures arise out the accords agreed in 1985, together with further measures agreed by the parties to be in the interests of the staff and to ensure better support and advice to customers..

2. During the period April to June 1987, a further consolidated increase of 0.8% on grade rates, payable on confirmation that a framework has been established in each Division and District for the introduction of the efficiency measures described below.

3. With effect from 1 July 1987, a further consolidated increase on grade rates of 4.75%, without conditions and in full settlement of all claims for improved pay and conditions in the 1987 pay year.

4. With effect from 30 June 1988, a further consolidated increase on grade rates of 1.6%. This increase is subject to confirmation by each Division and District that the efficiency measures described below have been implemented as specified in the agreement.

* Except for recruitment rates and age related scales for new entrants from 1 July 1988. The same increases will be payable to the cableship grades on acceptance of a separate package of changes.

The efficiency measures referred to are summarised as follows :

1. A new grading framework for engineering technical grades (ETGs), redefining jobs in broad terms of knowledge, proficiency and tasks, so that staff can carry out a wider and more flexible range of work within their existing skills.

2. Enabling all ETGs to undertake apparatus and equipment programming and Technical Officers (TOs) to take on basic computer programming.

3. Abolition of existing planning team ratios, leading to more flexible composition of planning teams suited to local circumstances.

4. Revision of Technical Officer (TO) pool arrangements accordin to local needs and circumstances.

5. Mixed hierarchical working - enabling engineering grades to work with staff represented by other Unions in teams with mixed skills under one manager to improve technical support and advice to customers.

BT is prepared to apply to the ancillary grades the same increases as those for ETGs on the understanding that the following efficiency measures are accepted by the ancillary grades :

1. The introduction of a new workshop assistant grade and revised job responsibilities for workshop supervisors in Motor Transport.

2. Revised working practices and more flexible grading arrangements for certain Supplies grades.

NCU-E has agreed that the above is a fair statement of the outline offer.

8 February 1987

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PS/ Secretary of State for Trade and Industry

CONFIDENTIAL

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1A 2AA

4 February 1987

Prime Minister

Dear David,

BT DISPUTE

At the meeting taken by the Prime Minister on 29 January my Secretary of State agreed to arrange for twice-weekly reports on the dispute to be circulated.

I enclose a copy of the updated background note and standard line to take and background questions, a copy of which was sent over to your office for Prime Minister's Question Time yesterday afternoon. I understand that the Home Office have briefed you separately on allegations about the tapping of Mr Golding's telephones made in the press over the weekend.

Sir George Jefferson came in to see Mr Pattie yesterday morning to update him on the dispute. Sir George said that BT's network was proving as resilient as had been hoped. Both the number of exchanges failing in any one day (average 5-10), and the time taken to restore them, had reduced significantly since the beginning of the dispute. In part this reflected the increasing capability of the BT middle managers who were maintaining the exchanges. The morale of middle managers had also risen since the beginning of the dispute as they had learnt to cope with the challenges imposed.

Sir George expected the dispute to stabilise for a period after the uncertainties of the first few days. Faults on residential and small business lines would continue to mount, but it should be some considerable time before these led to significant difficulties.

JG2ATL

Arrangements for the emergency services were holding and BT districts were liaising with local Government services to ensure that priority was given to real emergencies and to those most at risk.

The BT clerical workers went back to work by Friday after their 3 day stoppage. Their union is unlikely formally to settle while the engineers are holding out. BT consider, however, that in view of the patchy support for the 3 day action, the clerical union are unlikely to call for any further stoppages.

Mr Golding is personally involved in the informal discussions which are continuing between the engineers and BT and, in Sir George's view, is now looking for a way out of the corner into which he has painted himself by his statements at the beginning of the action. BT might consider some fime tuning to their offer, but Sir George is very firm that BT "cannot afford to throw money at a settlement" nor retreat from their key objective of securing lasting productivity improvements.

Sir George has expressed his gratitude for the support which the Prime Minister and others in Government have given during the dispute.

Mr Pattie also saw Sir Eric Sharp on Monday. Sir Eric confirmed that Mercury and their customers had not yet suffered any significant adverse effects from the dispute. He is not, at this stage, looking for specific Government actions to help Mercury to alleviate the effects of the dispute : within the constraints of a still rapidly expanding business Mercury are coping with the additional demand generated by the dispute. Mercury have just opened a temporary bureau facility in the City to provide some domestic and international services to BT's City customers. Mercury have also written to Government Departments offering assistance if problems arise with BT circuits.

I am copying this letter and enclosure to Joan MacNaughton (Lord President's Office), William Fittall (Home Office), Geoff Dart (Department of Energy), Geoff Podger (DHSS), Shirley Stagg (MAFF), Chris Capella (Paymaster General's Office), Simon Judge (HM Treasury) and Brian Unwin (Cabinet Office).

Yours sincerely,

Nicola Parkins

NICOLA PARKINS
Private Secretary

JG2ATL

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FLE
DA
BG

SUBJECT
CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 January 1987

Dear Nicola,

BT DISPUTE

The Prime Minister this morning held a meeting to discuss the BT dispute on the basis of your letters to me of 27 and 28 January and Mr. Unwin's minute of 27 January. There were present your Secretary of State, the Lord President, the Paymaster General, Mr. Peter Brooke (Minister of State, Treasury), Mr. Brian Unwin and Brigadier Budd (Cabinet Office) and Mr. George Guise (No.10 Policy Unit).

Your Secretary of State described the effects of the dispute so far. Nine exchanges had been out of action yesterday against four on an average day, for 159 minutes as against the usual 40. Other difficulties had been quite small though there was one case of a teaching hospital and fire station being disconnected for an hour and a half. Informal talks between BT and the union were continuing. BT management were relaxed about the effects of the dispute: they felt it could be sustained indefinitely. They also believed John Golding now wished to settle.

The Paymaster General said it seemed likely - paradoxically - that John Golding had felt the need to show his militancy at an early stage in order to win support for the election of moderates to the national executive. It was possible that after two or three weeks of the dispute he might think he had established his position. There would be considerable pressure on strikers: the union had never before had a strike without strike pay. Informal conversation with Michael Bett confirmed that BT were relaxed about the effects of the dispute and determined to gain flexible working in return for higher pay. It was noted that the timing of the strike might have been influenced by the need to begin it within 28 days after the strike ballot, as required by the legislation.

After further discussion, the Prime Minister said there seemed at present no reason to be unduly concerned about the strike, though the duration of strikes was unpredictable. The Department of Trade and Industry should consider whether in principle, within the terms of the BT privatisation prospectus

and undertakings to Mercury, action could be taken with or without legislation to give greater scope to Mercury to provide alternative services to those offered by BT, and also to reduce BT monopoly powers more generally, noting that OFTEL had yesterday suspended BT's right to vet certain business installations. The Government should at present keep its distance from the dispute, which was between a private company and its employees. Ministers should continue to draw attention to the way in which the union was jeopardising service to the old and the sick. It would be helpful if DTI could circulate regular reports on the dispute at intervals of say twice a week.

I am copying this letter to Joan MacNaughton (Lord President's Office), Chris Capella (Paymaster General's Office), Simon Judge (Mr. Brooke's Office, HM Treasury) and Brian Unwin (Cabinet Office).

Yours sincerely,

David Norgrove.

(DAVID NORGROVE)

Miss Nicola Parkins,
Department of Trade and Industry.

PRIME MINISTER

BT DISPUTE

You may have seen that OFTEL have lifted temporarily the requirement for BT to vet certain business installations. There may be other actions OFTEL or the Government could take to reduce BT's role without breaching the undertakings given when BT was privatised. DTI could be asked to investigate.

(David Norgrove)
28 January 1987

CONFIDENTIAL

P 02464

PRIME MINISTER

Industrial Action at British Telecom (BT)

You are meeting with the Secretary of State for Trade and Industry and others tomorrow morning to take stock of the BT dispute. As background, you have the DTI letter of 27 January reporting latest developments, and my note of the same date reviewing the contingency planning aspects.

2. At your meeting you may wish to:-

(i) review prospects for the likely course of the strike in the light of the latest assessment by Mr Channon;

(ii) review the possible effects of the strike on public services and the economy more generally;

(iii) consider whether there is any further action the Government should take;

(iv) review monitoring and reporting arrangements.

Each of these points is discussed below.

Development of the Strike

3. You will want to ask Mr Channon to give his latest assessment. At present, although informal channels have been left open, there appears to be no basis or arrangement for further negotiations. On the face of it, the odds are against the National Communications Union (NCU). If BT are right, the system is resilient and the trunk transmission network and exchanges can survive for a prolonged period. The union are also short of funds

and not paying strike pay and, although there have been some criticisms of their handling, the management's case has generally been seen as a reasonable one. On the other hand, John Golding, though by reputation a "moderate", has his mark to make; and the press will sensationalise particular failures, especially if they affect emergency services or the sick and elderly (this could, of course, work both ways, but criticism of the union is usually accompanied by demands for the Government also to "do something").

4. We have so far had no assessment of these factors other than from BT itself and from the media. You may wish to ask Mr Channon for a considered assessment by the DTI, as the sponsor Department for the telecommunications industry.

Effects of the Strike

5. We have had practically no assessment of this, either from BT or the DTI. The general BT line is that their system is resilient, so that by implication there should be no severe effects. This may be so; but if they are wrong, there could be serious effects both on individuals and on public services and the economy more generally. Many major sectors of the economy rely heavily on BT for their communications not least in relation to computer systems and data transmission - the electricity, gas and North Sea oil industries, for example; and recent events have demonstrated how crucial reliable telecommunications systems are to the City. Mercury is beginning to offer some alternative, but this is still relatively insignificant, and Mercury itself is in any case heavily dependent on BT.

6. You may, therefore, wish to ask Mr Channon to produce an assessment of where the most serious damage would be suffered if the strike were prolonged and increasingly disruptive.

Government Action

7. There are two main issues: first, in relation to the

handling of the strike itself; and second, in relation to contingency arrangements:

(a) handling of the strike: this is a direct dispute between the management of a private sector company and its employees and the Government has no direct locus. You may, however, wish to seek the Paymaster General's views on the industrial relations aspects, including whether there is any role that ACAS might play. Sir George Jefferson will presumably also want to know privately whether the Government support his handling of the dispute, and whether the Government would wish him to bear in mind any particular priorities in maintaining services. On the broad issue, you will no doubt have seen today's Independent editorial which strongly backs BT's stance and encourages the Government to support it;;

or any resort to the courts which BT could take if necessary.

(b) contingency aspects: as the Cabinet Office note shows, there are no centralised plans for Government intervention or support, and the onus to prepare and execute emergency measures rests squarely on BT itself and individual organisations. However, the CCTA have an important role in advising Government departments on their telecommunications systems, and you will want to be assured by Mr Brooke that they are taking all measures possible. You may also wish to consider whether within their normal powers the DTI can do anything else to help BT. It is reported, for example, that OFTEL have already waived the normal obligation on BT to inspect any non-BT equipment that has been installed. Are there any other similar temporary measures that might help BT to cope with the present situation?

Monitoring and Reporting

8. The reports from DTI so far have been largely extracted at the prompting of ourselves and your own office. DTI Ministers are, however, in regular contact with Sir George Jefferson and you will want to be assured that the monitoring arrangements are

adequate so that regular reports can be sent to you and other Ministers and Departments concerned. A daily report from DTI might at present be over-doing it a little; but you might, subject to developments, wish to request a situation report at least every other day.

HANDLING

9. You will to invite the Secretary of State for Trade and Industry to start by up dating his latest written assessment of the dispute, and then to bring in the Paymaster General and the Minister of State, Treasury on the specific points referred to above. The Lord President will no doubt wish to comment on the handling of the dispute generally, and the Government's overall posture.

J B UNWIN

Cabinet Office
28 January 1987

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Secretary of State for Trade and Industry

PS/ **CONFIDENTIAL**

28 January 1987

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
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Prime Minister

Dear David,

BT DISPUTE

My Secretary of State thought it would be helpful to provide a further brief update on the dispute before the meeting at 09.45 tomorrow.

BT report that there was no significant change in the disruption to the network yesterday. As on Monday, eight exchanges out of the some 6,000 broke down, although two of these - at Bakewell and Kettering - took some time to repair. As a result the 'outage' time rose from 45 minutes on Monday to 183 minutes on Tuesday. Unrepaired faults continue to rise.

In addition there have been some difficulties in maintaining trunk calls into Manchester. Whilst services were restored yesterday, there have been some recurring problems on this service today. BT are making best efforts to restore the full service.

BT have also told us, in confidence, that support by the clericals in the 3 day stoppage has been patchy, at an average of about 50 per cent. They have chosen not to publicise this, since it might goad the NCU into encouraging greater participation. Support by the engineers remains solid.

I am copying this letter to Joan MacNaughton (Lord President's Office), Chris Capella (Paymaster General's Office), Simon Judge (Minister of State's Office, HMT) and Brian Unwin (Cabinet Office).

Yours sincerely,

Nicola Parkins

NICOLA PARKINS
Private Secretary

DW4BXY

999-1

CONFIDENTIAL

P 02463

From: J B UNWIN
27 January 1987

MR NORGROVE

BT INDUSTRIAL ACTION: CIVIL CONTINGENCIES ASPECTS

As requested in your letter of yesterday, I enclose a short Cabinet Office note on the Civil Contingencies aspects as background for the Prime Minister's meeting on Thursday. You will see that, unlike certain other emergency situations, there is no formal plan for Government intervention; the onus to cope with the effects of industrial action rests squarely on BT itself in the first instance and on individual organisations in both the public and private sectors to formulate their own contingency plans in consultation with BT (or with Mercury in the still limited instances where that is appropriate).

2. I am copying this minute and enclosure to the recipients of yours.

J B UNWIN

Cabinet Office

CIVIL CONTINGENCY ASPECTS OF THE BT STRIKE

Contingency planning for a telecommunications strike has been based on the outcome of studies by the Official Group on Telecommunications (MISC 69), which were accepted by Ministers in May 1982 (MISC 69(82)8) and June 1983 (MISC 69(83)4). Although privatisation of BT has, of course, affected the Government's relationship with BT, is has not affected the principles of the planning, the key elements of which are summarised below.

Contingency Planning Arrangements

2. Centralised contingency planning of the kind prepared for certain other emergencies (eg a dock workers' strike) has been judged impracticable because:

- There are very few servicemen capable of undertaking tasks carried out by BT engineers and it is not practicable to train sufficient servicemen to make any measurable input on problems arising from a strike by engineers; indeed, such intervention could cause rather than avert damage.

- The organisation and training of volunteers to carry out engineering work is also impracticable on any significant scale. Most of these who might be available would be retired BT engineers (or management) personnel, mostly out of date on current equipment and in many cases unwilling in any case to 'blackleg' against their old union.

- There may be some scope now for contractors to carry out engineering tasks and especially manufacturers dealing with equipment they have made. But any arrangements to organise help of this kind would be more likely to succeed if carried out locally rather than centrally,

and on a discreet basis.

3. Contingency planning has therefore been decentralised and responsibility specifically rests with:

- BT itself: under its licence conditions it is required (as also is Mercury) to maintain and implement plans for the continuation of services during emergencies;

- Individual Government Departments: in close consultation with their individual BT Managers, each Government Department is required to maintain and keep under constant review plans against serious telecommunication disruptions. These should take full account of departmental communications priorities at the expense as judged acceptable of less important facilities. The Central Computer and Telecommunications Agency (CCTA) have a general supervisory and advisory role on these matters for all Government departments.

- Individual Industries, businesses and commercial organisations: some organisations have private networks (eg British Rail) or partially private networks (eg British Gas and the CEGB), which gives them greater flexibility. Otherwise, like Government Departments, they must deal directly with their own BT Managers to ensure their essential needs are known and taken into account in BT's detailed plans.

- The Emergency Services: BT are explicitly required under the operating licence to provide a public emergency call service and a priority call facility for emergency organisations. Second in order of their formal priority objectives is in any case to maintain life and death services (eg 999). In the event of BT failure, the Emergency Services have reasonable internal radio communications but may need to improvise or make special arrangements for the public to make contact if the 999

telephone device is interrupted (as has already happened in Yorkshire where the policy and ambulance services have made ad hoc arrangements to ensure availability for emergency cases)

No other specific contingency plans exist for private subscribers, except the normal emergency repair service.

BT Response

4. When industrial action is threatened BT are expected to review and reinforce their plans to ensure as near normal functioning as possible and appropriate guidance is issued to Senior Managers. Given the settlement on 22 January between BT and the Society of Telecommunications Executives (STE), middle and junior management should be available during the current strike to help senior BT management in maintaining services which would normally be the responsibility of engineers. Their main formal objectives, in order of priority, may be summarised as follows:

- to establish and maintain effective control of communications;

- to maintain the 999 service;

- to maintain service to category 1 subscribers of the Government Telephone Preference Scheme (GTPS);

- to maintain local, national and international circuits at maximum efficiency;

- to maintain telex and essential private services (eg data links and circuits for broadcasting authorities);

- to maintain service to category 2 subscribers to GTPS;

- to keep telephone boxes available, especially for emergency calls.

- to maintain non-essential services.

In practice, of course, the extent to which these priorities can be observed will depend on local circumstances.

Vulnerability

5. The section of BT's operations most vulnerable to industrial action are the large operational units of the inland or international networks, large operator service centres and the main TV Network Switching Centres. Computer installations have also proved particularly vulnerable during previous stoppages, with disruption to billing and stores ordering/handling. Firms using BT computer time could also be affected. Government Departments and installations may also be considered attractive targets, particularly given their increasing dependence on telecommunications links. No formal assessment has been made, however, in the Cabinet Office Civil Emergencies Book of the vulnerability of specific sectors of the economy.

Cabinet Office
27 January 1987

28. II.
1916

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215)
(Switchboard) 01-215 7877

PS/ Secretary of State for Trade and Industry

CONFIDENTIAL

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1A 2AA

27 January 1987

Prime Minister

I have arranged a meeting for Thursday, before Cabinet.

DTV
22/1

Dear David,

BT DISPUTE

This letter updates my Secretary of State's report to the Prime Minister of 21 January and responds to your letter of 26 January to Timothy Walker. My Secretary of State met BT's Chairman, Sir George Jefferson, this morning to review the position. Mr Channon will report further orally, at the meeting on 29 January, or earlier, in writing, if there are major developments.

The Industrial Action

BT having settled with the Society of Telecommunications Executives, the dispute is now confined to the clerical and engineering sections of the National Communications Union.

The engineers' strike has so far received solid support from NCU(E) members, though BT is confident of co-operation from the union in maintaining the emergency services and has had Union co-operation in repairing deliberate sabotage.

Informal discussions took place with the engineering side of the union yesterday afternoon and evening, following a regular meeting between the management and all the unions. Though the atmosphere was not hostile, no basis for further negotiations was established. Very informal channels of communication between management and union remain open. My Secretary of State will report on Thursday on the Chairman's expectations of the strike action. The union is paying no strike pay.

JG2ASE

999-1

The clerical workers have embarked today on a three day strike. The response from these union members is reported to be more patchy. Talks with the clerical side of the union are proceeding today and BT have some hopes of a positive outcome.

The Effects

BT's system is designed to be resilient: for example, modern telephone exchanges have duplicated and triplicated circuits and alternative transmission routes are kept in reserve, under control at national level. Fault repair often entails no more than replacement of a plug-in unit.

Deployment of the available engineering resources is determined initially at District level (the system comprises 30 districts). The national Resource Control Centre may assign supplementary resources drawn from expert groups at the Territory level (there are 5 Territories in the system) or from HQ. It maintains a register of the skills available amongst those who are still working, including the managers. Similar arrangements apply in relation to the trunk transmission network.

BT remains confident that the trunk transmission network and the exchanges can be kept operational for a prolonged period. For example, the managers maintained a high quality international service during the strike of 1983. Though the figures have no particular significance, 8 exchanges out of 6000 failed yesterday, against an average of 4 on a normal day. The average time out of service was 45 minutes, little more than usual.

The connection between the local exchange and the individual customer is usually not duplicated. Failures at this level will not normally be repairable during the strike and there will inevitably be a progressive accumulation of such faults. Self-help and reliance on neighbours will be necessary, as in the recent severe weather conditions. The Chairman and the Secretary of State are considering the wisdom of challenging the unions to maintain a service to the chronically ill and the housebound. To the extent possible, BT will maintain public call box services.

I am copying this letter to Joan MacNaughton (Lord President's Office), Chris Capella (Paymaster General's Office), Simon Judge (Minister of State's Office, HM Treasury) and Brian Unwin (Cabinet Office).

Yours sincerely,

Nicola Parkins

NICOLA PARKINS
Private Secretary

JG2ASE

999-49

POST + TELE : BT Industrial Action. Jan 82

CONFIDENTIAL

File

DEQ 8RF

bc: BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

26 January 1987

Dear Timothy

INDUSTRIAL ACTION AT BT

As you know, the Prime Minister has called a meeting, to be held on Thursday morning, to discuss the action being taken by BT engineers. It would be helpful if the Department of Trade and Industry could circulate in advance a note setting out the latest position on the dispute, so far as possible an assessment of how quickly its effects are likely to be felt by telephone users and the prospects for a settlement. I should be grateful if the Cabinet Office could circulate a note to set out the position from the civil contingencies point of view.

I am copying this letter to Joan MacNaughton (Lord President's Office), Chris Capella (Paymaster General's Office), Simon Judge (Minister of State's Office, HM Treasury) and Brian Unwin (Cabinet Office).

Yours ever

Andy

AP David Norgrove

Timothy Walker, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

088

CABINET OFFICE

With the compliments of

J. B. UNWIN

70 Whitehall, London SW1A 2AS
Telephone 01 233

010.

22/1

Reference.....

From: Mr C K Davies
Date: 23 January 1987

2. Copy to Mr Margetts.

1. Mr Wilson 26/1

3. Back to Mr Davies 27/1

MR MALLABY

BT INDUSTRIAL ACTION

You may be interested that in response to an enquiry from the Home Office about the 999 service I was given a statement by BT obtained from Sir George Jefferson's office:

"District General Managers are giving priority to Emergency Services and to call boxes".

C.K Davies

C K DAVIES
Telecommunications Secretariat

CODE 18-78

26.11.
PM
87

CONFIDENTIAL

P 02455

Prime Minister 2

Not very reassuring.
You may wish to call a meeting in a week or so if the strike begins to work as through it will drag on.
DLR 23/1

From: J B UNWIN
23 January 1987

MR NORGROVE

cc Sir R Armstrong
Mr K Davies
Brig Budd

INDUSTRIAL ACTION IN BT

You will have seen:

- The Secretary of State for Trade and Industry's minute of 21 January to the Prime Minister and Cabinet Colleagues giving general background to the dispute;

- the Head of the Telecommunications Secretariat's minute of 22 January to Mr Powell, containing a more detailed assessment of the possible effects on No 10 and 70 Whitehall. Nothing can be assured, but Mr Davies believes that the BT Management are determined to do all they possible can to keep 'our' communications going.

2. I have also reviewed the position on emergency planning more generally with Brigadier Budd and with the DTI and you may find the following comments helpful.

3. Part I of the Cabinet Office Civil Emergencies Book (you hold a copy) sets out the basic information on emergency planning. Paragraphs 6 - Means of Reducing Vulnerability, 7 - An outline of BT's Contingency Planning objectives and 8 - the General Duty of BT in relation to its operating licence are of particular relevance. A key point to appreciate at the start is that emergency action in this area is essentially a matter for BT itself. The nature of the technical and other problems involved is such that it is not practicable to prepare centralised contingency plans (eg involving the use of m ilitary or other personnel) to cope with the effects of a telecommunications

strike. There is no pool of trained or trainable personnel available, and the intervention of unskilled personnel could do more damage than it would avert. (A similar state of affairs governs contingency planning for a strike in the Electricity supply Industry). In general terms, the present BT plans rely for their success in exploiting the (hopefully) greater reliability and resilience of the modern communications equipment now installed over much of the UK. DTI tell me that they have verified with the Chairman of BT that he regards the system as robust enough to stand several weeks of action by the engineers if necessary. BT are giving priority to maintenance of national and international networks and emergency systems. But some individual subscribers may, of course, have difficulties.

4. The settlement reached on 22 January between BT and the Society of Telecommunications Executives (STE) also means that middle and junior management personnel should now be available to assist BT management in maintaining services. The dispute is between BT and the National Communications Union (NCU) Engineering Group - who have today been called out on indefinite strike from midnight Sunday 25 January - and the Clerical Group, who have threatened a 72 hour strike beginning on Tuesday next.

5. So far as Government departments are concerned, they are each responsible for their own contingency planning - in close co-operation with their individual BT management. Similar arrangements apply to business and commercial organisations, some of whom, of course, are now plugged in to Mercury.

6. It is not clear how long the NCU can maintain an all out strike. The are reported to have limitedfunds, and increasing public pressure is likely to be put on them. But John Golding is, of course, anxious to make his mark!

CONFIDENTIAL

7. The Head of the Telecommunications Secretariat, Mr Davies, is, as you know, the contact point with BT management for No 10 and 70 Whitehall. I have arranged for him to keep me in touch with events as they develop - in particular on the efficiency of BT's implementation of their contingency plans. I will update you as necessary.

J B UNWIN

Cabinet Office
23 January 1987

CONFIDENTIAL

Prime Minister 2
For information.
JGT
22/1

PRIME MINISTER

BT INDUSTRIAL DISPUTE

Industrial action by, in particular, the engineering section of the National Communications Union (NCU) is escalating. This note is for information and follows a meeting between Geoffrey Pattie and Sir George Jefferson, BT Chairman, this morning.

Current Position

2 BT's pay negotiations involve 5 groups; the Union of Communication Workers, the Communications Managers Association, the engineering and clerical groups of the National Communications Union and the Society of Telecommunications Executives. BT have settled at 5% with the first two of these, but have yet to reach agreement with the other three.

3 It is the action by engineers which is causing the most concern. Following their refusal to work overtime last weekend, 700 engineers were suspended and up to 40,000 are now taking supportive action in 24 hours stoppages. The numbers are likely to continue to rise.

4 The suspension of engineers and the 24 hour stoppages follow a BT policy decision to avoid a prolonged period of work to rule. In 1978, POEU members worked to rule over a period of 18 months at little cost to themselves or their union, but at considerable cost to the smooth running of telecommunications services.

JG3AMI

999-49

5 The current dispute is not only about pay. BT aim to introduce new flexibility rules - both to improve competitiveness and to take account of changes in technology - and John Golding has a position to establish in the NCU. BT have no plans at present to make a further revised offer. They plan to step up their public relations efforts later this week both with their own staff and the media.

6 In addition to the engineers' dispute, there is also a threat by the clerical section of the NCU (responsible for the issue of bills) to take further action. BT have contingency plans to diminish disruption to their cash flow.

Effect on services

7 Despite the effects of the recent cold spell, BT maintain that there has not yet been significant disruption to customer services, nor is there imminent danger of this. The engineers' work relates primarily to the repair and maintenance of the network and provision of new services. Whilst the provision of new services is suffering and will get worse, as will the maintenance of low-priority customer lines, the network itself is proving resilient because of the continued replacement of old telephone network equipment and line and the development of more sophisticated switching systems which make day to day maintenance less essential.

8 BT's contingency plans give priority to keeping the network operating, in particular Government communications, emergency and priority services and, so far as possible, business services. Where necessary, management will be brought in to operate services and those engineers who continue to work will be redeployed for priority activities.

JG3AMI

CONFIDENTIAL

9 BT do not anticipate a quick end to the dispute: it may run on for several weeks. My officials will keep in close touch with BT and BT have agreed to follow up any severe difficulties experienced by Government Departments or reported through them. If specific important problems do emerge, the contact point in my Department is 215 5270.

10 Finally, I attach for information the line my Department is taking in response to press and other enquiries. I am copying this note to Cabinet Colleagues who may find this helpful.

PAUL CHANNON

21 January 1987

Department of Trade & Industry

JG3AMI

999-49

BRITISH TELECOM : INDUSTRIAL ACTION

Line to take

- regret the recourse to industrial action; settlement is a matter for the parties concerned, with assistance of ACAS as appropriate;

- Government already licensed a competitor, Mercury Communications, extension of whose network will progressively provide alternative facilities [if needed - Mercury has constructed a 900 km trunk network of fibre optic cable linking 19 major cities - with extensions planned or operational. Though obviously a whole new network cannot be established overnight.]

- continued modernisation and automation of networks and systems helps to reduce their vulnerability to industrial disputes

- the position is being monitored

If pressed

- know every effort being made to maintain essential public services; no indication these are substantially at risk.

- privatisation of BT has not increased the vulnerability of the company's services to industrial action. Every effort has been made in previous disputes to maintain emergency services.

21. I.
1987

File

MERCURY V. POEU

MASTER OF THE ROLLS' SHAREHOLDING IN CABLE AND WIRELESS

Draft answer

I understand that, at the hearing in question, the Master of the Rolls inadvertently overlooked the fact that he had a modest shareholding in one of the companies which jointly owned the plaintiff company, Mercury. It is inconceivable that this could have affected his attitude to the case; still more so that it could have affected the result, since there were two other Judges sitting as well. However that may be, this is a matter for the courts to deal with, if necessary, and not for this House.

BACKGROUND NOTE

1. Last November, the Court of Appeal allowed an appeal by Mercury, the private telecommunications firm, against the Post Office Engineers Union, and ordered the POEU to lift its blacking of Mercury. The decision was made unanimously by the three Judges, presided over by the Master of the Rolls, Sir John Donaldson.

2. Mercury is reportedly owned by a consortium, with Cable and Wireless holding 40%.

3. Articles have now been published in the Sunday Times (12th February) and the Guardian (13th February) (copies attached) reporting that, at the time of the hearing Sir John Donaldson held shares in Mercury, and failed to disclose the fact at the time.

4. This is correct. Sir John Donaldson says that he now owns 1500 shares in Cable and Wireless. He last checked his portfolio of shares in October 1982, when he had 1000 shares in Cable and Wireless. Since then, it has been increased to 1500 by a rights issue. It is currently valued at about £4,500.

5. When the Mercury appeal was heard in November 1983, the Master of the Rolls entirely overlooked the fact that he owned these shares. The fact that Cable and Wireless had a 40% holding in Mercury was very peripheral to the issues arising in the case and was only mentioned in passing at the outset.

6. A judge in this country is not disqualified from sitting in a case by the fact that he has a modest shareholding in one of the parties, though he is expected to disclose his interst so that the parties can object if they think fit to do so. If a judge fails, deliberately or inadvertently, to

disclose a substantial interest of this kind, it is likely that any decision to which he was a party would be liable to be set aside on appeal. But it seems unlikely that the holding in this case would be regarded as substantial.

10 DOWNING STREET

From the Private Secretary

28 December, 1983

POEU ACTION

The Prime Minister was grateful for and has noted your Secretary of State's minute of 23 December about POEU action against BT privatisation.

(David Barclay)

S. Nicklen, Esq.,
Department of Trade and Industry

PERSONAL AND CONFIDENTIAL

PERSONAL AND CONFIDENTIAL

(2)

Prime Minister
To note

AT 23/12

JU326

PRIME MINISTER

MB.

POEU ACTION

As you will know, the POEU members who had been involved in industrial action against the privatisation of BT are now back at work. Their return followed an increasingly tough line from management as well as some resistance from members to continued levies. Faced with the threat of sackings or legal action, the POEU felt obliged to end the action. Moreover, the return under the 1982 Employment Act to work was essentially on management's terms. In particular, the union eventually, after some delay, conceded that organisational changes introduced since the start of the action should stand.

2 This is a clear defeat for the union. The action has been costly in terms of the drain on POEU funds and has achieved nothing. The management's strategy has thus proved succesful and I have written to Sir George Jefferson congratulating him. Management have, of course, been helped by the fact that, despite some initial waivering, the supervisory management grades were prepared to co-operate in maintaining services. Had that co-operation not been forthcoming the result might have been different.

3 We can expect POEU and other BT unions to continue their propaganda campaign against privatisation, which we shall

continue to counter. Kenneth Baker saw John Gummer earlier this week to consider how this can best be done. Bryan Stanley appears to have re-established his authority on the National Executive and we would hope that the next annual conference in the summer will draw appropriate conclusions. A defeat for the hard left at the conference will be the best assurance that there will be no serious disruption of services in the critical run up to flotation.

4 As regards interconnection with Mercury, the POEU are complying with the injunction granted to Mercury by the Court of Appeal pending the full trial now expected to be held in February. The issue to be considered then will be whether the union was concerned primarily with job losses or whether its action was political. If the POEU lose, as seems very possible, their position will be further weakened.

Stephen Nichols

pp N T

23 December 1983

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

Department of Trade & Industry

CONFIDENTIAL

POEU ACTION

1 The POEU action has continued to cause some disruption to both inland and international circuits, but serious damage to the operation of the network has been averted by management action in maintaining equipment and repairing faults. However, BT are now experiencing problems with private (leased) circuits and the telex service especially in the Aberdeen area as well as the packet switching (data) service. Management are attempting to spread the effects of the POEU action across as wide a range of services as possible, so as to ensure that no particular group of customers becomes totally isolated.

2 Around 2000 POEU staff remain on suspension. Management intend to escalate the situation this week by continuing to suspend staff who refuse to sign an undertaking to work normally and anticipate that suspensions could reach 3000 - 3500 by the end of the week. This will place an additional burden on the POEU funds since the POEU is currently distributing around a quarter of million per week in strike pay. A voluntary levy of £1 per week has been reintroduced to supplement the £1m raised earlier in the year.

3 Staff who sign the undertaking to resume normal working and subsequently engage in further industrial action are regarded by management as being in breach of their contracts. BT has held back from dismissing the 19 POEU members, who could have been dismissed until after the POEU Conference on 7 November. BT did not wish to present the Union with a opportunity to rally the rather fragmented Union behind 19 "martyrs" created by dismissals this week. BT will be writing to the POEU, stressing that it may not be possible to carry out normally agreed procedures for suspension should the action continue after the Conference. This represents a veiled threat that BT will consider the anticipated 3-3500 suspended staff to be in breach of contract and liable to summary dismissal.

4 On interconnection of the Mercury network, it remains to be seen whether Mercury choose to appeal and whether they will press ahead with the main action for damages against the POEU.

Andrew Turnbull Esq

CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone 01-233 8319

SECRET

NBPM
AT
26/10

cc No 17

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A083/3024

25 October 1983

Withstanding a Telecommunications Strike

Thank you for your letter of 17 October enclosing a report by officials on the implications of a telecommunications strike for banks and other City institutions.

We are grateful for this assessment and are glad to know that, although the banks and the City share the rest of the economy's exposure to a gradual deterioration in the telephone network, individual key systems have been designed with a high degree of resilience to cope with disruption from whatever source.

We have noted that the Chancellor has accepted officials' advice that there is no need at present to extend the scope of consultations on these matters beyond the Bank of England. No doubt you will be arranging that, if wider consultations were to seem desirable in the future, the Chancellor would have an opportunity to look at the matter again.

We have also noted the reference in paragraph 2 of the report to the possible use of the Civil Contingencies Unit as a forum for discussion, in the event of serious disruption, of how the banks' priority needs might be met.

In paragraph 13 of the report which refers to Lloyds, it was mentioned that the Department of Trade and Industry had not been consulted and might have views. We understand that the DTI have drawn attention to the fact that Lloyds is more heavily dependent on telex than on telephone facilities for its external dealings and particularly in keeping track of shipping movements.

I am sending copies of this letter to Andrew Turnbull (No 10), Hugh Taylor (Home Office) and Ruth Thompson (DTI).

R. HATFIELD

(R P Hatfield)
Private Secretary

Miss J C Simpson

SECRET

Post, Telecom. Withdrawing a strike Jan 82

SECRET

Prime Minister (2)
AT 17/10 cc NO

16

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

17 October 1983

R Hatfield Esq
Private Secretary to Sir Robert Armstrong
Cabinet Office
70 Whitehall

Dear Richard,

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Margaret O'Mara's letter of 29 June reported that the Chancellor had asked officials to discuss the effectiveness of the commercial banks' arrangements for coping with a telecommunications strike with the Bank of England, in the first instance, and to report back to him on the balance of advantage between gaining worthwhile information and the risk of leaks.

The Chancellor has now seen a report by officials on this subject. I attach a copy. You will see that we have taken this opportunity also to discuss with the Bank the implications of a strike for City institutions other than the banks.

The Chancellor has accepted officials' advice that at present there is no need to extend the scope of these consultations beyond the Bank of England. More detailed consultations with Bank officials than were possible under the earlier guidelines for this exercise have shown that the Bank has fairly detailed knowledge of the position of the main banks through its own commercial operations. As for the other City institutions, the Bank's day to day relations with the markets would normally be sufficient to obtain information which the Bank did not already possess without disclosing the origins or the real purpose of the enquiry. The Report shows that, while the detailed position varies from case to case, the general position is that the banks and the City share the rest of the economy's exposure to a gradual deterioration in the public telephone network, but that individual key systems have been designed with a high degree of resilience to cope with disruption from whatever source.

I am sending copies of this letter to Andrew Turnbull (No 10), Hugh Taylor (Home Office) and Ruth Thompson (DTI).

Yours,
Judith

MISS J C SIMPSON
Private Secretary

IMPLICATIONS OF A TELECOMMUNICATIONS STRIKE FOR THE BANKS AND THE CITY

The Banks

All major banking operations which depend in whole or in part on the use of BT facilities have been designed so as to cope with failures of parts of the system. For example, facilities are duplicated in different buildings, and major facilities may be linked by a number of routes to more than one telephone exchange. The equipment itself is generally both automatic and highly reliable. The withdrawal of maintenance would led to some deterioration of services, but this is expected to be gradual. Experience with the picketing of the Bank of England in May 1983 bears this out. Sabotage would be a different matter but would have to take place on a fairly wide scale before the banks' systems were seriously disrupted.

2. We suspect that most banks have obtained assurances from BT management that the necessary steps would be taken by management to maintain vital banking links. This work may deserve priority among other essential tasks if BT management resources are not adequate for all priority tasks. If problems of resource allocations arose decisions would have to be taken through the Civil Contingencies Unit mechanism. The Treasury, which sits on the CCU, would deal with the banks concerned via the Bank of England.

Foreign Exchange Market

3. The Foreign Exchange market works entirely by telephone, but does not have a vulnerable central core operation. The market makes great use of information systems, data screens etc. The loss of these facilities would inhibit trading. The market would show some resilience to the loss of particular telephone facilities, such as some individual lines and switchboards affecting particular dealers. But it could not function without a reasonably reliable public telephone system. This market is of course exposed to foreign competition, though the loss of business would probably not be permanent.

Eurobond Market

4. This is entirely a telephone market. It would probably emigrate if communications broke down.

Commodity Markets

5. The terminal markets which use the International Commodities Clearing House (ICCH) use the ICCH computer to register, clear and guarantee deals and to net out payments. The markets could not operate without these computer functions. If telecommunication links between the markets and the computer were lost, some form of alternative system could probably be devised to process information carried manually

to the exchange. Those concerned would probably need to redeploy staff and buy extra equipment (office computers etc.) but this could be done within a few days.

6. These markets rely very heavily on the public telephone system for their links with clients, including clients overseas. Progressive degradation of the public telephone system would hamper market operations and the loss of all public telephones would stop the markets. The London Gold Futures Market and the Grain and Feed Trade Association (GAFTA) would be affected in the same way as the soft commodity markets as regards communications with clients. However, their smaller volumes of trading should make the operation of clerical alternatives to their present clearing systems less painful.

7. There are alternative markets abroad for most commodities. Provided a strike was seen to be beyond the control of the London markets, the switch of business abroad would not necessarily be permanent. Even if business was lost to London, many UK firms would continue to operate from their overseas offices and could reroute London business thither.

London Metal Exchange

8. The LME, again, needs the public telephone system for contact with customers. But it is less exposed to the loss of key internal facilities than the markets which use ICCH.

London International Financial Futures Exchange

9. LIFFE uses ICCH and is exposed in the same way as the soft commodity markets to loss of telecommunications links. It relies on the public telephone system for contacts with clients.

Stock Exchange

10. The Stock Exchange has the same reliance on the public telepone system for contacts with the outside world as the commodity markets. Its internal communications are less vulnerable. Orders, executions etc. are dealt with on the floor. The computerised settlement system involves machines in Stock Exchange premises though about a quarter of Talisman (automated equity settlement) traffic goes over BT lines.

11. The Stock Exchange, like other markets, makes extensive use of automated information systems, which would be vulnerable. But these are not essential.

12. When the full automation of equity transfer is introduced, certainly at least three years hence, Stock Exchange exposure to telecommunications failures will increase. The automation of gilts trading through the Book Entry Transfer System (BETS) is well advanced. BETS involves computer installation in the major institutions which trade gilts linked via BT systems to the central records in the Bank of England. The system is being designed to cope as far as possible with equipment failure, strikes, whether in BT or elsewhere, and disasters. The Bank's experience in discussions on the BETS system is that most City institutions are well aware that industrial action in BT is a real possibility.

Lloyds

13. Like the Stock Exchange, Lloyds relies heavily on telephone for links with outside world, but not for its internal dealings. Business is transacted on the floor. There are no key core installations. (The Treasury have not consulted the DTI, who may have views.)

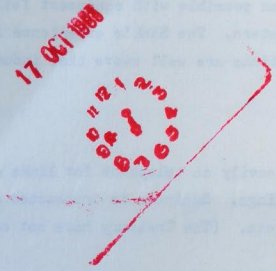
Baltic Exchange

14. The Baltic Exchange (shipping market) presumably shares the other markets' reliance on the public telephone system. The Bank of England have little knowledge of the exchange's operation. GAFTA (see under commodity markets above) shares Baltic exchange premises.

MF(1) Division
HM Treasury
30 September 1983

SECRET AND PERSONAL

POST + TELECOM
Willstrandship a Pride
Jan 92



SECRET AND PERSONAL

cc DO
Post + Telecomms's
15

MO 19/1

NBPM
MIS 27/7

PRIME MINISTER

WITHSTANDING A TELECOMMUNICATIONS STRIKE

In his loose minute of 16th June, Sir Robert Armstrong sought views on the recommendations of the second report of the Official Group on Telecommunications.

2. I am sure this further report has been of value, in particular for the way in which it mighlights our increasing dependence on telecommunications. I am content to accept the report's recommendations.

3. I am copying this minute to those who received copies of Sir Robert's minute.

Ministry of Defence
15th July 1983

SECRET AND PERSONAL

POST + TELECOM: Withstanding a Strike

Jan. '82

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: CC (83) 21st Conclusions, Minute 3

Date: 30 June 1983

Signed B Wayland Date 21 January 2016

PREM Records Team

4.39

SECRET AND PERSONAL

(4)

Prime Minister

MLS 30/6

14

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

29 June 1983

Richard Hatfield Esq
Private Secretary to
Sir Robert Armstrong
Cabinet Office

Dear Richard,

WITHSTANDING A TELECOMMUNICATIONS STRIKE

The Chancellor is generally content with the recommendations in the second report by the Official Group on Telecommunications (MISC 69), circulated with Sir Robert Armstrong's minute of 16 June.

Now that the annual pay negotiations of both the banks and BT are over, the Chancellor has considered further the question of discussions with the banks to establish the effectiveness of their arrangements for coping with a telecommunications strike. He is anxious to proceed cautiously, bearing in mind the risk of leaks involved in consulting a variety of organisations in the private sector. He has therefore asked officials to discuss this matter in the first instance with the Bank of England, and to report back to him on the balance of advantage between gaining worthwhile information and the risk of leaks (particularly at the present sensitive time for BT's industrial relations).

The Chancellor endorses the recommendation that CCTA should review the longer-term vulnerability of key computerisation programmes, given the higher priority now attached to this aspect. He points out, however that it will be necessary to strike a balance between cost and additional resilience in each case. He has noted the possible need for additional resources for CCTA; this will need to be considered further in the context of the response to the strategic review of Government telecommunications.

Finally, as regards the Inland Revenue project on the computerisation of PAYE, the Chancellor considers that any review of the possibilities for giving district offices some standby means of access to the computer centres should start with a study of the costs and implications of using satellite communications, which are already widely available on a rental basis. This method, if it proved feasible, would be much quicker, more reliable, and perhaps cheaper than emergency courier arrangements moving computer tapes between local offices and computer centres, such as are mentioned in paragraph 11a of the report.

I am sending copies of this letter to Michael Scholar, Hugh Taylor (Home Office), Nick Evans (MOD), Carole Souter (DHSS), Brett Bonner (DE), Caroline Varley (DTI), Andrew Melville (D/Tp) and Gerry Spence (CPRS).

Yours sincerely,
Margaret O'Mara

MISS M O'MARA
Private Secretary

No 1 of 14

(2)

Prime Minister

MLS 28/6

SECRET AND PERSONAL

PRIME MINISTER

WITHSTANDING A TELECOMMUNICATIONS STRIKE

The Secretary of the Cabinet copied to me his minute to you of 16 June, with which he submitted the report of the Official Group on Telecommunications (MISC.69) summarising the outcome of the studies recommended by their earlier report on this subject.

I have seen the work which was done by the Department of Trade in response to that remit, and which now falls within my own responsibility, and I agree with the conclusion of the Official Committee that no further action to provide alternative arrangements for air traffic control communications would be justified. However we shall take the opportunity to impress upon the Civil Aviation Authority the importance of installing equipment which is as reliable as possible and hence as resistant as possible to the effects of industrial action, and to diversify their means of communication where it is technically and economically sensible for them to do so. I understand that these objectives already figure prominently in their approach to the subject.

I am sending copies of this minute to the recipients of Sir Robert Armstrong's.

TOM KING

27 June 1983

CONFIDENTIAL

CC NO

Prime Minister (2)

MLS 24/6

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

PRIME MINISTER

TELECOMMUNICATIONS: INDUSTRIAL ACTION AGAINST MERCURY INTERCONNECT

I have seen Cecil Parkinson's minute of 20 June to you.

I agree that we must stand firm. Our policies for introducing competition into telecommunications and exposing BT to market forces are a key part of our programme. If we were to be seen to be deflected on telecommunications, where our plans are well publicised, it would greatly add to the difficulty of introducing competitive forces elsewhere in the nationalised monopolies.

As regards the cost to BT of any disruption, I would expect them to be able to absorb it within their existing very substantial resources. A billing strike might pose short-term cash flow problems, but it is only if these ran over the end of a financial year that our financial controls over BT might be affected. We can consider that possibility if it should ever arise; but otherwise I trust that BT will take sufficient measures to keep within its EFL.

I am sending a copy of this minute to Leon Brittan, Michael Heseltine, Norman Tebbit, Cecil Parkinson, and Sir Robert Armstrong.

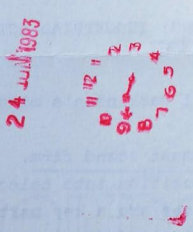
pp. N.L.

24 June 1983

CONFIDENTIAL

POST + TELECOM: Withstanding a Telecom Strike

Jan 82



Prime Minister (2).

For information

CONFIDENTIAL

JH 905

PRIME MINISTER

TELECOMMUNICATIONS: INDUSTRIAL ACTION AGAINST MERCURY INTERCONNECT

This minute is to inform you of developments since my minute of 20 June.

2 On 20 June, BT asked two of their engineers to provide interconnect with Mercury and suspended them after they refused to do so. Later in the week management effected interconnect themselves.

3 The POEU have today written to the BT Board threatening selective industrial action from Monday against what they describe as provocation by management in respect of interconnect. It is not clear at present what form this action will take and against which targets. Sir George is still hopeful that he will be able to contain this dispute but he is charting new ground with the POEU's new Executive Committee and is finding it difficult to predict future developments.

4 I have already made clear to the POEU the Government's determination to stick to our policy of privatisation and the introduction of competition into telecommunications. BT have asked us to say as little as possible in public about this to

avoid any provocation. If asked, I will take the line that those members of the POEU who are taking action should realise that it is their own jobs which they are threatening and that whatever short-term difficulties they may be able to cause to others, in the long-term it will be their own industry which will be damaged.

5 I shall keep you informed of developments.

6 Copies of this minute go to Nigel Lawson, Leon Brittan, Michael Heseltine, Norman Tebbit and to Sir Robert Armstrong.

C P

C P

24 June 1983

Department of Trade and Industry

From: THE PRIVATE SECRETARY

SECRET

13

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

23 June 1983

Dear Richard

I am writing to let you know that the Home Secretary has seen Sir Robert Armstrong's minute (A083/1705) of 16 June, and is content with the recommendations in the report attached to it.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, and the Secretaries of State for Defence, for Social Services, for Employment, for Trade and Industry and for Transport.

Yours

H H TAYLOR

R P Hatfield, Esq

SECRET

Post & Tels
Jan 82. Telecoms
Strike

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

22 June 1983

TELECOMMUNICATIONS: INDUSTRIAL ACTION AGAINST MERCURY INTERCONNECT

The Prime Minister was grateful for your Secretary of State's minute of 20 June, which she read without comment.

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Trade and Industry.

File c.c. Mr. Owen

12

10 DOWNING STREET

From the Private Secretary

SECRET AND PERSONAL

SIR ROBERT ARMSTRONG

WITHSTANDING A TELECOMMUNICATIONS STRIKE

The Prime Minister has seen your minute of 16 June, with which you enclosed a second report from MISC 79.

The Prime Minister is content with the conclusions and recommendations of the report, summarised in paragraph 17 therein.

I am sending copies of this minute to Mr. Rawsthorn (Home Office), Mr. Kerr (HM Treasury), Mr. Mottram (MOD), Mr. Godber (DHSS), Mr. Shaw (Employment), Mr. Spencer (Trade and Industry), Miss Nichols (Transport) and Mr. Spence (CPRS).

M. C. SCHOLAR

22 June 1983

cc BI cc NC

2

JF3628

CONFIDENTIAL

Prime Minister

To note.

MCS 20/6

PRIME MINISTER

TELECOMMUNICATIONS : INDUSTRIAL ACTION AGAINST MERCURY INTERCONNECT

This minute is to give you advance warning that British Telecom (BT) is about to attempt the first interconnect with Mercury and that this is likely to precipitate serious industrial action.

2 You will remember that following your meeting on 26 April Sir Michael Edwardes was persuaded to defer until after the Election his request that BT should interconnect the Mercury system to the BT system at Mercury's 90 Long Acre headquarters. He duly did as we asked but has, with our encouragement, requested that interconnect should commence on 20 June. Sir George Jefferson accepts entirely that he should honour his contract with Mercury to provide interconnect and the necessary instructions will be given on Monday, 20 June. The instruction will be processed in the normal way and we expect that an engineer will be sent to the Long Acre site on Thursday, 23 June. The Post Office Engineering Union (POEU) could take industrial action at any time after the first instructions are put in writing on 20 June but the most likely sequence is for the engineer who is instructed to effect the actual interconnect (this involves the insertion of printed circuit boards into the

BT maintained PABX at 90 Long Acre) will refuse to do so. He would then be sent home and events will then take their course.

3 I cannot predict what action the POEU will take. It is possible that the engineer will disregard union instructions and effect the interconnection; the POEU might even acquiesce in this. This is unlikely. Interconnect has symbolic importance for the POEU - they (correctly) see it as ending their monopoly of telecommunications - and the recent Union Conference elected a Broad Left Executive in place of the previous moderate majority. The Union has a choice of actions; it could withdraw all its members in either or both the North Central (where Long Acre is located) and Westminster areas; it could work to rule nationally; it could withdraw only a few selected but important staff; it could take action against BT's computers; or a combination of these things. The Union has a strike fund of £350,000 and could supplement this by a £1 a week levy on its members. It could therefore sustain selective action by say 750 key staff for a considerable time.

4 We may therefore face the prospect of substantial dislocation, possibly over a long period. There is unlikely to be a sudden or extensive loss of telephone service; instead a progressive deterioration particularly in the older telephone exchanges in the Fleet Street and City areas is likely. If a

large number of telephones do go out of order this will have a damaging impact on many businesses for whom telecommunications are a vital lifeline. We can expect to come under heavy pressure to intervene or to abandon our plans for liberalisation.

5 We have no alternative but to be resolute. It is unthinkable that we should allow industrial action to deflect us from our policy of introducing competition into telecommunications, especially so soon after the electorate endorsed our commitment to liberalisation. I have therefore told Sir George that he has our support in pressing ahead with interconnection and that we shall not alter our attitude whatever the level of disruption that results. I have also agreed with Sir George that the management of the dispute is for him; while we shall keep a close eye on the implications of the dispute for the economy and defence, we shall not intervene in the dispute itself and shall try to avoid injecting any further political controversy.

6 Sir George is doing his best to avert strike action and then ... to contain it. He is sending out the enclosed letter to all BT employees this weekend to set out the Board's point of view. He will follow this up with special editions of the BT newspaper. To help in this I shall take an early opportunity to reaffirm that we do not intend to break up BT. I myself am seeing Brian Stanley, the General Secretary of the POEU, on 23 June at his request but I see this as an initial courtesy and not

CONFIDENTIAL

as the occasion to intervene to stop the dispute.

7 BT itself has extensive contingency plans which have been prepared on the basis of experience in the 1978 POEU industrial action. BT has learned from the recent POEU industrial action in the Westminster area. The Government has its own plans. Much of course will depend on the nature of the action that is taken. BT itself will be hurt if action is taken to interrupt the preparation of telephone bills (which is not done by POEU members) since loss will interrupt its cash flow. I may well need to ask Nigel Lawson to agree to lend BT the money needed to make up any deficit.

8 I shall keep you informed of developments.

9 Copies of this minute go to Nigel Lawson, Leon Brittan, Michael Heseltine, Norman Tebbit and Robert Armstrong.

C P

20 June 1983

Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

British
TELECOM

British Telecom

2-12 Gresham Street
LONDON
EC2V 7AG

Sir George Jefferson CBE
Chairman

TO ALL STAFF IN BRITISH TELECOM

Dear Colleague.

A year ago, the Board was faced with a Government which had decided to increase competition, and also to privatise British Telecom — subject only to the outcome of a general election.

The Board's assessment was that the Government had a strong enough majority to ensure the passage of a Bill through Parliament, whatever the opposition. The final decision however would be taken by the electorate.

The Board also knew that many of the criticisms levelled against British Telecom over the years could not be laid at the door of the business or its staff, but arose directly from being in the public sector, with successive Governments, of different political colours, reluctant to give the business the freedom and the money to do what was right for the customer.

The Board therefore took the view that it was better to try to influence the Bill than to oppose it blindly, and that its duty to staff was twofold:

1. to deal with competition by improving the efficiency of our organisation, and the range and quality of our products and services, so as to ensure our own success and give any competitor a very hard time, while acknowledging that our customers would expect to be able to connect with any alternative telecommunications system:
2. to do everything possible to ensure that the form of the privatisation Bill, and everything that went with it, ensured that BT remained a single integrated organisation, and retained its ability to be an expansive and dynamic organisation, capable of serving all its customers well, and offering new job opportunities.

The Board has gone far to achieve these objectives.

We have reorganised BT and introduced an impressive range of new services and equipment, while at the same time — with the willing help of our staff — greatly improving the quality of our basic services.

The Bill which passed through the Commons in the last Parliament was finally in a form which would give a privatised BT an excellent chance to prosper — just as Bell, in the USA, has provided a profitable and socially responsible telecommunications service for many years, as a private sector business. The Bill safeguarded the future prospects of the staff and ensured that BT's social responsibilities would be sustained and underpinned. Above all, the Bill kept BT together and gave it an opportunity to expand into new fields.

The Board has been criticised for taking the negotiating stance with the Government that it did, but we believe that in no other way could we have influenced the Bill half as effectively.

The general election is now over. With a greatly increased majority in Parliament, the new Government has stated its intentions to reintroduce measures to privatise British Telecom.

The Board has been told that the new Bill will be essentially the same as the one which fell in the previous Parliament. The advantages secured in the previous Bill will therefore be retained. Privatisation itself will not cause job loss. We will continue to have an obligation to look after all our customers. Our social obligations will be retained. British Telecom will be kept together.

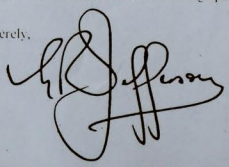
Over the last few months, many false fears and concerns have been raised — not least talk of a big cut in the number of telephone boxes and social services. This will not happen. Moreover we will have the ability to expand into new activities. And all staff will be able to have a personal stake in the business and its future.

But there is one sure way in which this future can be put at risk.

Some staff are considering industrial action as a means of stopping privatisation. In our view this would be damagingly mistaken. Industrial action, whether against privatisation or interconnection, will be seen now as defying the will of Parliament and the electorate. It will hit our customers — and lose us jobs. It will re-open the arguments on the Government side that BT should be broken up and the profitable parts sold off. Thus much of what the Board has achieved in its prolonged negotiations with the Government could be wrecked. We believe industrial action would also be pointless because this Government mandated and strengthened by the election would not allow itself to be deflected in any way by such action.

The Board has served you well. It has won, for you, a strong position. We must not squander that. None of us has sought privatisation but the Board cannot defy the will of Parliament. In the form provided in the Bill, BT will not just survive in a privatised environment; we will beat the competition and prosper. If we can stick together over the coming months, I believe we shall have a great future. That is why I am asking you now to support the Board in facing up to the realities and back British Telecom.

Yours sincerely,



EC No 11
(1)

Prime Minister

Ref. A083/1705

PRIME MINISTER

Agree the recommendations in para 17? (Flag A)

MCS 17/6

Withstanding a Telecommunications Strike

With my minute to you of 18 May 1982 I submitted a report by the Official Group on Telecommunications (MISC 69) on withstanding a telecommunications strike. It drew attention to the increased likelihood of selective industrial action to disrupt the services of British Telecom (BT) by the Post Office Engineering Union (POEU). Such action would lead to a progressive deterioration of service in the areas affected and could impose costs on the economy if directed at international and city exchanges and at certain vulnerable points in the public sector. Follow-up studies were recommended in three areas:

(i) central Government

a. in the short term to review the existing contingency plans of all Government Departments with particular reference to alternative methods of making payments;

b. for the longer term to explore how far in planning Government telecommunications in the future, including arrangements for computer controlled payments, vulnerability might be reduced by inter-operability and in other ways;

(ii) air traffic control

to explore how far the air traffic control communications of the Civil Aviation Authority (CAA) are vulnerable to industrial action in BT and the scope for reducing this vulnerability;

(iii) banking sector

to extend a study already in hand on industrial action in the banking sector to include the effects of industrial action in BT on both banking and other City of London institutions.

2. You and other Ministers accepted the recommendations. You also drew attention to the relevance of selective action by the POEU to the study of lay-off provisions which the Secretary of State for Employment had in hand at the time. The then Secretary of State for Industry also wrote to Sir George Jefferson to ensure that BT fully explored the range of responses open to management within existing legislation to discourage and restrict the scope for selective industrial action.

--- 3. The attached second report from MISC 69 is to inform Ministers of the results of the studies put in hand last year and to seek approval for certain further steps to be taken. The conclusions and recommendations are summarised at the end (paragraph 17).

4. In respect of central Government telecommunications in the short term (paragraph 17a) the proposed discussions with BT about safeguarding the maintenance of priority functions have now taken place. Instead of refining the present telephone preference scheme, Departments are being advised to set up as quickly as possible their own close and regular liaison arrangements with the BT telephone managers actually in charge of the communications which are most essential to them so that BT can make realistic plans to keep these communications going for as long as possible during a strike.

5. So far as central Government telecommunications in the longer term are concerned (paragraph 17b-d) the report points out that Departments will become increasingly dependent on telecommunications as new on-line computer systems are introduced during the next 10 years. There is however developing technology which can improve resilience against the risks of industrial action by BT staff. It is therefore proposed that Departments (and particularly the Inland Revenue and Department of Health and Social Security who have current major projects) should review their plans so as to take advantage of this developing technology, with the help of the Central Computer and Telecommunications Agency (CCTA). Approval of this recommendation would give the CCTA the authority it needs to put pressure on Departments to give sufficient priority in their plans to reducing vulnerability to industrial action.

6. The report recommends (paragraph 17e) that no further action should be taken to provide alternative arrangements for air traffic control communications. The cost would be considerable and it was considered impracticable to expect some 10 foreign air traffic control authorities to install new systems to link in with the alternative UK system merely on the ground that the use of the normal links might be denied by industrial action in BT. It is however recommended that the Civil Aviation Authority should be urged to take every opportunity to improve the resilience of existing communications against industrial action in BT, for example by exploiting technological developments.

7. In the case of the banking sector (paragraph 17f) further work is needed to establish the likely effectiveness of contingency plans made by the banks against industrial action in BT, and authority for an approach to the banks will be sought later in the year as soon as the time appears ripe.

8. I should be grateful to know if you and other Ministers receiving copies of this report are content with the recommendations in paragraph 17.

9. I am sending copies of this minute and the report to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, for Social Services (because of the recommendation affecting the DHSS), for Employment, for Trade and Industry and for Transport (because of the recommendation relating to air traffic control) and to Mr Sparrow.

RTA

ROBERT ARMSTRONG

16 June 1983

SECRET
AND PERSONAL

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Second report by the Official Group on Telecommunications

Introduction

Following the first report of the Official Group on Telecommunications (MISC 69) in May 1982, Ministers approved follow-up studies with a view to reducing vulnerability to industrial action in British Telecom (BT) in the following areas:

i. central Government

- in the short term to review the existing contingency plans of all Government Departments with particular reference to alternative methods of making payments

- for the longer term to explore how far in planning Government telecommunications in the future, including arrangements for computer controlled payments, vulnerability might be reduced by inter-operability and in other ways

ii. air traffic control

to explore how far the air traffic control communications of the Civil Aviation Authority (CAA) are vulnerable to industrial action in BT and the scope for reducing this vulnerability

iii. banking sector

to extend a study already in hand on industrial action in the banking sector to include the effects of industrial action in BT on both banking and other City of London institutions.

2. The purpose of this report is to inform Ministers of the results of those studies and to seek approval for certain further steps to be taken.

SECRET

Central Government Telecommunications

3. In response to the short-term remit referred to in paragraph 1 above, Government Departments have reviewed their own communications links with a view to identifying those that should receive priority for maintenance in the event of a strike in BT. The review was carried out in respect of existing communications and it is possible that with increased computerisation the requirements will change, especially so far as automated payments systems are concerned. A list of the essential functions identified by Departments is at Annex A. It was noted that Departments are reminded from time to time by CCTA that they should consider ways of making their essential communications less vulnerable to a strike in BT. As a short-term measure the Department of Industry has arranged for Treasury officials to discuss with BT the items listed in Annex A, in order to identify any changes needed to the existing telephone preference scheme.

4. The longer term remit was pursued as part of the Strategic Study of Government Administrative Telecommunications which was already in progress when the first MISC 69 report was submitted to Ministers. In order to get the most comprehensive coverage, possible requirements arising from the report were fed discreetly into the strategic study. The results of the strategic study were presented on 6 January 1983 and a first report has already been made to Ministers (Director, CCTA letter of 21 February 1983 to Minister of State, Treasury). It is intended to submit CCTA recommendations on the strategic study as a whole to Ministers and to publish the strategic study's management report and the Government's reaction to it in mid-year. Indications are that technological development would improve the chances of Government administrative communication withstanding industrial action in BT. A number of pilot schemes involving new equipment, that are already underway should, if successful, improve the resilience of the system fairly quickly although major improvements would probably not be achieved until the late 1980s.

5. It is clear from the Strategic Study of Government Administrative Telecommunications, that although most Departments are at the present time not heavily dependent upon continued availability of telecommunications, almost without exception they will become so increasingly as new on-line computer systems are introduced during the next ten years. Strategic decisions already taken by Departments, or in an advanced stage of formulation, plan for new telecommunications dependent computer-based systems to replace present manual or batch-processing-computerised methods of payment and revenue collection.

6. In making contingency arrangements as part of their forward planning Departments are of course allowing for the normal occasional failures of individual telecommunications links, just as they are for failures of other items of equipment. They are also conscious, in the light of experience over recent years, of the need to make plans to deal with most kinds of industrial action both within and outside the civil service. As a generalisation however their planning has not encompassed the possibility of sustained and widespread failure of telecommunications links, such as might result from concerted industrial action by BT staff.

7. Many computer systems planned by Departments are, by their very nature, of very large scale and wide geographical coverage. Proven computer system technology has not hitherto offered economic system designs affording high resilience to sustained telecommunications failure. While several ranges of minicomputer are starting to offer high resilience by use of distributed processing and database techniques, the latter, by their very complexity, are slow to extend to large mainframe computer systems such as are often required by the sheer scale of Government activities. Even so, progress is being made by manufacturers and it is entirely reasonable to project that the next few years will see significant advances in proven and economical resilience techniques in large scale system design.

8. Large systems currently being planned by Departments, or even well down the development and procurement path (such as the Inland Revenue's project for computerisation of PAYE), will not be entering use on a significant scale until four or more years hence. Certainly, in the later years of the phased introduction of these large systems, proven resilience techniques will be available.

9. Although general and specific guidance in designing systems for resilience will continue to be available centrally from CCTA, it is very important for Departments themselves to be conscious of the need, at a strategic level as well as at the detailed system design level, to conceive their systems to have resilience against sustained and progressive telecommunications failure. Systems should be so planned that advantage can be taken of advances in technology as they occur through the life of the project, with provision being made at the outset in the technical design and in contractual arrangements for migration paths and for formal system change procedures.

10. The telcommunications networks provided as parts of such systems should themselves be planned with as much inbuilt resilience as can reasonably be afforded, so that total failure is delayed (even though the overall system performance degrades progressively) as long as possible in the face of a gradually decaying public telecommunications service. Use should of course be made of alternative "common carrier" services in parallel as appropriate. Such considerations may well influence thinking as to the extent to which ostensibly separate networks should be linked, and to the extent to which general-user interdepartmental networks should be developed. The latter enjoy potential advantages of scale and diversity unlikely to be available to any but the largest of individual networks. Even where departmental networks are introduced independently, the use of standards for potential interoperability should be mandatory across Government as a whole.

11. The following specific examples illustrate the problems and also suggest what might be done:

a. the Inland Revenue Computerisation of PAYE (COP) project had its outline system design chosen some time before the end of the preferential purchasing policy in favour of ICL. It was predicated on technology proven and demonstrable at that time, involving the use of 12 major computer centres each acting as a hub from which links would radiate to district offices, the latter containing multiple clusters of terminals. All processing would be carried out at the major centres, there being no user-accessible computing or storage capability at the cluster level in the district offices. Thus the system as presently being developed and procured is crucially dependent upon continued availability of the individual telecommunications links in the 12 "star" networks. It is recommended that a review be set in hand to examine the extent to which, and rate at which accessible computing and storage power could, over a period, be made available at the district office level to support at least some continued operation in the event of sustained telecommunications outage. This might well call for an emergency courier service moving magnetic storage media on a (say) daily basis between the central and district office locations, but could prima facie provide significant albeit delayed output. It is of interest to note that the initial procurement contracts with ICL for the COP system incorporated provisions for technological migration through the life of

the project and for formalised change procedures. Future incorporation of public domain standards as they developed was also allowed for specifically in the migration path provisions.

b. a further example, probably typical of many similar but less far advanced proposals, is the plan of the Manpower Services Commission to link their 100-plus and highly diverse computer systems, located in some 55 offices, so that individual terminals in any location can eventually (subject to the usual authorisation and authentication constraints) access information on any system at will. Informal discussion between MSC and CCTA officials has led the MSC to review their plan, and to ensure that provisions will exist for worthwhile continued operation at a local level even under circumstances of sustained and widespread telecommunications outage.

c. the DHSS Operational Strategy now in an advanced stage of development, supported by their own Telecommunications Strategic Study recently conducted for them by consultants, offers an opportunity for an urgent critical review of outline plans to ensure that the considerations outlined in the above paragraphs have been allowed for at the strategic level, without which it will be difficult to make appropriate and economic provision in the more detailed planning operations to follow. It is recommended that such a review should be undertaken urgently.

12. Experience to date has indicated that a long history of generally dependable telecommunications has so conditioned Departments that planning for sustained and widespread failure of telecommunications has not figured significantly in their present and future computer systems. The changing social environment leads to the recognition that this contingency is no longer unlikely, and to the recommendation that Departments should review their plans accordingly. These reviews should examine the following requirements:

a. to ensure that in systems which are of such a scale and nature that they can be satisfied by resilience technology currently available (eg in certain minicomputer configurations), that full consideration is given to the use of such technology.

b. to ensure that in systems of such a scale and nature that appropriate resilience technology is not currently available at an economic cost, provision is made in the overall system strategy, design and contracts for technological migration paths and formal change procedures, and for commitment to adoption of interoperability standards,

c. to ensure that full consideration is given in consultation with other Departments and with the CCTA (as operators of interdepartmental telecommunications networks) to sharing and interoperability of telecommunications networks, and to general design for diversity and resilience.

13. The reviews recommended should suffice to highlight the importance of assessing all the relevant factors concerning resilience, interoperability and scope for adapting to future technological change when Departments are deciding on which particular communications system to install. It would not be unreasonable in these circumstances for CCTA to consider the grant of financial approval for each project in relation to the thoroughness with which such work has been done. It would be advantageous for the CCTA to be closely involved in the further work recommended but in order to take on the additional workload consideration may have to be given to increasing the resources available to the agency. This latter point will be pursued by CCTA in the normal way.

Air Traffic Control Communications

14. Studies, in which the National Air Traffic Service (NATS) participated, revealed four main possible alternatives to using BT circuits for air traffic control. These were satellites, radio links, Boxer 2 (primarily an MOD developed communications system) and Mercury. Of these:

a. satellites would probably be the most comprehensive solution in the long-term but a satellite system would be expensive (capital outlay of £m20 + £m20 per annum for renting satellite and associated facilities) and additionally other countries would have to agree to link up with UK air traffic control in this way, rather than via the BT provided links as at present.

b. radio links have been progressively abandoned by NATS over recent years and although a reversal of this policy would be possible the total cost would be of the order of £m11 over a number of years, adequate radio frequencies would need to be allocated and other countries would have to

be prepared to link up with UK air traffic control by radio.

c. Boxer 2 will be a military system whose proposed configuration does not match air traffic control requirements; although it could probably be adapted, at a likely cost to the Civil Aviation Authority for complete transfer of NATS circuits of some £m40. However on present plans it would still have to rely on BT circuits for links to other countries.

d. Mercury, which is intended to serve business centres, could at best provide only a partial solution, at least until their system is extended through satellites and then only if other countries (and their PTT authorities) were prepared to install the necessary ground stations.

15. On balance it was considered impracticable to expect some ten foreign air traffic control authorities to install new systems to link in with UK NATS merely on the ground that use of the normal links might be denied by industrial action in BT. It was also considered that the expense involved either in providing a back-up communications system for NATS - or changing air traffic control communications permanently to a system that was independent of BT links could not be justified. No further action on this aspect of the study is therefore recommended, but it was noted that the Civil Aviation Authority intended to take any opportunities that might arise to improve the resilience of their tele-communications system, eg by exploiting technological developments and in this it is recommended the Civil Aviation Authority should be given every encouragement.

The Banks

16. Whilst examining the effect of a strike in BT on the operation of the banks and City of London financial institutions it was stated that certain contingency plans had been made. But it will be necessary to enquire further into the likely effectiveness of these plans and this cannot be done properly without consulting the banks. The timing of any such consultation will need to be carefully judged in relation to pay negotiations for the banks' own staff and to any industrial action by BT employees in connection with privatisation and/or their annual pay negotiations. Therefore Ministerial authority will be sought for an approach to the banks later in the year, when the risks of adversely affecting the other issues mentioned above have disappeared.

Summary of Conclusions and Recommendations

17. Ministers are invited:

in respect of central Government telecommunications

in the short term:

a. to note that, Departments have reviewed their contingency plans so as to identify those of their functions which should receive priority for maintenance in the event of a strike in BT and that the Department of Industry has arranged for Treasury officials to discuss with BT any changes needed, in the light of the review, in the existing telephone preference scheme;

in the longer term:

b. to note that:

i. Departments will become increasingly dependent on telecommunications as new on-line computer systems are introduced during the next 10 years;

ii. although Departments are allowing for normal occasional failures of telecommunications links, their forward planning has not so far generally provided against the risk of sustained and widespread failure of these links, such as might result from concerted industrial action by BT staff;

iii. some developments already in hand would improve resilience against these risks fairly quickly, and major improvements in economical resilience techniques are likely to have been achieved by the late 1980s;

c. to agree that:

i. all Departments should, in consultation with the CCTA, review their plans with a view to taking advantage of current resilience technology, to providing, in system strategy and design, for advantage to be taken of future improvements in resilience technology, and to facilitating the sharing and interoperability of telecommunications networks;

ii. the CCTA should take account of these factors when considering granting financial approval for departmental plans for future telecommunications systems;

iii. the Inland Revenue and DHSS should in particular be invited to review their current major projects referred to in paragraph 11 above;

d. to note that this is likely to lead to an increased workload for the CCTA with a possible need for additional resources and that the CCTA will be pursuing further how the necessary resources might be made available;

in respect of air traffic control

e. to agree that no further action should be taken to provide alternative communications for air traffic control, but that the Civil Aviation Authority should be urged to take every opportunity to improve the resilience of existing communications against industrial action in BT;

in respect of the banking sector

f. to note that further work is needed to establish the likely effectiveness of contingency plans made by the banks against industrial action in BT, and that authority for an approach to the banks will be sought later in the year.

SECRET AND PERSONAL

ANNEX A

SUMMARY OF ESSENTIAL FUNCTIONS WHICH DEPARTMENTS CONSIDER VULNERABLE AND WHICH MIGHT REQUIRE PRIORITY FOR ANY LIMITED SERVICE THAT BRITISH TELECOMMUNICATIONS COULD MAINTAIN.

MAFF	Animal health control: to maintain communications between the centre and ports/divisional offices.
Ministry of Defence	To ensure the continued working of the rented P/W circuits between certain establishments and the Main Building and between establishments.
Home Office	i) Prison Department: to maintain operational control of the Prison Service; and ii) Immigration and Nationality Department: to maintain contacts with ports and in emergency with other central departments when urgent cases, eg affecting national security, arise.
Departments of Industry and Trade	Coastguard service: service can be maintained only if key telephone lines are operational.
Inland Revenue	i) Accounting office: priority might be necessary to maintain information to Treasury and Bank of England on flow of large sums of money into and out of CIR Central Account; and

Inland Revenue cont'd	ii) National Insurance Contributions: collected on behalf of DHSS who may need to be informed daily of the amount written off to the NI Fund.
Northern Ireland Office	Communications between London and Belfast
Management and Personnel Office	i) Emergency procedures for which MPO has central responsibility eg flood warning to departments; and ii) MPO War Book requirements.
Paymaster General's Office	Particularly to maintain daily reports on payments to the Treasury Accountant and to effect certain large payments by write-off through the Bank of England.

Post & Tels
Jan 82
Telecom strike

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

28 April, 1983

Dear Jonathan,

POEU Industrial Action

The Prime Minister held a meeting on Tuesday, 26 April to consider your Secretary of State's minute of 21 April about industrial action by the Post Office Engineering Union (POEU). The Home Secretary, the Chancellor of the Exchequer, your Secretary of State, the Secretary of State for Employment, the Minister of State (IT) and Sir Robert Armstrong were present.

Mr. Baker reported the latest situation. The industrial action was still being contained on the Bank of England and Whitehall sides and the system was not breaking down. Nevertheless, within three weeks there would be a significant inroad in telephone services in these places, including the Palace of Westminster. Sir George Jefferson believed that industrial action would go on intermittently for some considerable time.

In discussion, it was generally agreed that there could be no question of any surrender by the Government to industrial action which was being taken almost wholly for a political purpose. Sir Michael Edwardes, the Chairman of Mercury, was willing to postpone a formal approach to BT for inter-connection until the first week in May, and perhaps longer, but his salesmen were on the road, and there were clearly difficulties for him in a prolonged postponement of such a approach. Against this, it was noted that Mercury salesmen were unlikely to make much progress until after the General Election, and that Mercury had an interest in avoiding a crisis at this stage. Until the Telecommunications Bill received Royal Assent, the Government had no power to order BT to agree to inter-connection.

The Prime Minister said it was agreed that no directive should be given to Sir Michael Edwardes at this stage. But Mercury should be asked informally not to bring their request for inter-connection to a crisis point, in which they could sue BT for breach of contract, until after the BT Bill had reached the statute book; or until after the General Election, whenever

/that

CONFIDENTIAL

that might be. It was also agreed that the Government's statement on easing the restrictions on Mercury's international service, which had been envisaged by the end of April, should now be delayed. Meanwhile, the Government should aim neither to bring the dispute with the POEU to a head soon, nor in any way to give ground to the POEU in this matter.

I am sending copies of this letter to the Private Secretaries to other members of E Committee, the Secretary of State for Scotland, Sir Robert Armstrong and Mr. Sparrow.

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Industry

P.01004

PRIME MINISTER

POEU Industrial Action

You have called an ad hoc meeting of Ministers tomorrow to consider the Secretary of State for Industry's minute of 21 April about industrial action by the Post Office Engineering Union (POEU). He invites comments on the handling of various issues of telecommunications policy and in particular on:

i. the Government attitude to a request by Sir Michael Edwardes, Chairman of Mercury that, if he is to postpone a formal approach to BT for interconnection beyond 1st May he should receive a Government directive;

ii. whether the Government should ask Mercury to say to the POEU that Mercury will not be a closed shop for the ASTMS;

iii. the timing of the Telecommunications Bill if there is a summer election.

MAIN ISSUES

2. The main issues are as follows:

i. how effective is the current industrial action by the POEU, and how effective is any further industrial action likely to be?

ii. what general principles should guide the Government in its attitude to the POEU action?

iii. in the light of i. and ii., how should the Government handle:

a. policy issues outstanding between BT and Government;

b. Mercury's interconnection with BT.

Effectiveness of industrial action

3. It will be for the Secretary of State for Industry and the Minister of State (Mr Baker) to give an up to date assessment of the current industrial action affecting the Bank of England and Whitehall. The general impression is that so far the action has not been very effective. The Secretary of State is however concerned about the risks of escalation. In his minute he reports Sir George Jefferson as fearing that a formal request by Mercury for interconnection before the POEU Conference (3-10 June), the setting of a summer election date or the passage of the Telecommunications Bill could provoke widespread industrial action by POEU militants in the business centres of London, Birmingham, Manchester, Leeds and Scotland.

4. The report by the Official Group on Telecommunications on withstanding a telecommunications strike (MISC69(82)8) which was submitted to you and other Ministers on 18 May 1982, acknowledged the possibility of POEU industrial action in protest against the Government's telecommunications policy. It pointed out however that the effects of such action would be "a progressive deterioration of service in the areas affected, as faults occured which could not be corrected. The speed and pattern of deterioration would not be predicted as it would depend on where the faults occurred, on how serious they were in disrupting the network, and on the willingness and ability of supervisors and managers to correct the faults.". It was recognised that business users might be affected. "It would depend on the ingenuity with which particular firms and individuals managed to devise other ways of making essential communications but substantial disruption would be unavoidable.".

5. If therefore the formal request for interconnection were to result in wide-spread action of the kind suggested, the effects on business would be most unwelcome. They would not however occur immediately and catastrophically but only gradually over a considerable period of time, and they could be circumvented to some extent by enterprise and ingenuity. There is moreover the fundamental difficulty for the POEU that the more inconvenience they cause for BT's business customers, the more they strengthen the public case for reducing the monopoly power of BT and the POEU. There must be doubts about how long such action would be sustained if it did not appear to be effective quickly, if public antagonism built up against the POEU, and if the Government

remained resolute in adhering to its policy objectives.

General principles

6. It will presumably be a matter of principle for the Government that it should not be seen to succumb to pressure from the POEU to resile from desirable objectives of telecommunications policy. This does not of course mean that the Government should go out of its way to provoke industrial action. If the timing of certain matters can be so arranged that the POEU's national executive has a better chance of controlling its militants with no cost whatever in terms of Government policy objectives and without the Government's appearing in any way to be bowing to pressure, this may well be desirable. But Ministers will need to examine any such proposals very critically, bearing in mind in particular that BT has an identity of interest with the POEU in slowing down the liberalisation programme.

Issues outstanding between BT and the Government

7. In paragraph 3 of his minute the Secretary of State for Industry discusses the handling of various issues still outstanding between BT and the Government with a view to reducing the chances of industrial action, ie easing the restriction on Mercury's international service, domestic resale, the establishment of the Office of Telecommunications and cable. Mr Jenkin considers that all these matters can be handled in a way that involves no significant cost to the Government's policy objectives and you will wish to seek reassurance that this is indeed the case.

Mercury interconnection

8. Sir George Jefferson wishes to defer the issue of interconnection for Mercury until after the POEU Conference (3-10 June) at the earliest, or the passage of the Telecommunications Bill at the latest. Once Mercury makes a formal request for interconnection, a failure by BT to provide it could be a breach of contract between Mercury and BT. Sir Michael Edwardes is willing to defer a formal request until 1st May but not thereafter unless he has a clear Government directive which he could put to the Mercury Board asking Mercury "not to press for interconnect for the wider reason of a potential breakdown in communications in the City of London".

9. If Ministers wish to avoid appearing to succumb to pressure from the POEU, it would seem very difficult to provide the Board of Mercury with a directive of the kind suggested. There would seem a strong risk that such a directive would become public knowledge and this would be likely to strengthen the hand of the militants. The wiser course might therefore be to leave the question of the timing of a request to Mercury, subject to any influence which BT is able to bring to bear. If BT is able to convince Mercury that there would be tactical merit in deferring the formal request for a few more weeks, so much the better. Even if Mercury presses ahead with the request, it would not seem inevitable that Mercury should sue BT for failing to provide interconnection immediately. If nevertheless action is taken which provokes POEU disruption of the kind suggested, Ministers may feel that this will have to be faced. If a June election were to be called, the POEU action might be called off. If the election were to be deferred and the Telecommunications Bill is enacted, the action is likely to be more prolonged but will probably have to be called off eventually.

10. It is also suggested that, since the POEU attitude to interconnection arises partly from rivalry with ASTMS, the Government might see if Mercury would be prepared to say to the POEU that Mercury would not be a closed shop for the ASTMS. It would however be odd for the Government to take steps designed to secure POEU representation of Mercury's employees, since this would help to sustain the POEU's monopoly power. Ministers may well feel that the Government ought not to intervene in any way in Mercury's decisions about who should represent its employees and whether there should be a closed shop.

11. On the timing of the reintroduction of the Telecommunications Bill in the event of a general election, this will have to be considered by the business managers in the proper way in due course. There will be obvious advantages, from the point of view of the POEU industrial action and in other ways, in reintroducing the Bill and securing its Royal Assent as quickly as possible.

HANDLING

12. You will wish to invite the Secretary of State for Industry and the Minister of State (Mr Baker) to open the discussion. The Secretary of State for Employment will wish to comment on the industrial relations issues, and the Home Secretary and Chancellor of the Exchequer may have views on the general issues of principle and policy.

CONCLUSIONS

13. Depending on the discussion you will wish to reach conclusions on the following points:

i. whether the Government should follow the general principle of avoiding any action which would give the appearance of succumbing to pressure from the POEU or would significantly impair the achievement of the Government's telecommunications policy objectives;

ii. what the Government's attitude should be to the proposals in the Secretary of State for Industry's minute of 21 April relating to:

a. policy issues outstanding between BT and the Government;

b. interconnection with Mercury;

iii. whether Ministers wish to reach any view at this stage about the timing of the Telecommunications Bill in the event of a summer election.

PLG

P L GREGSON

25 April 1983

JF3264

CONFIDENTIAL

PRIME MINISTER

POEU INDUSTRIAL ACTION - SITUATION REPORT - NO 2

On the ground, there has been no change in the situation. Industrial action is being strictly contained at the Bank of England and Whitehall sites. Workers at the Westminster Repair Service Centre have returned to work. BT see no significant difficulties in maintaining service if the POEU show no wish to escalate the action against the Bill and privatisation. (There are however signs today that action may be stepped up against certain Whitehall offices - possibly including the Palace of Westminster. I will keep your office up-to-date with the developing situation).

2 Following 4 hours of discussion with leading members of the National Executive yesterday, Sir George Jefferson is now more hopeful that there is a chance that the industrial action against the Bill will be called off towards the end of next week after a three day special meeting of the Union to consider further strategy. To help the Union climb off a limb, Sir George will have shown himself ready to take a more united line with the Union on key issues still outstanding between BT and the Government - in particular, freedom for Mercury's international service, domestic resale, the timing of the introduction of OFTEL, and cable.

3 The price for peace in the event of the NEC calling off industrial action against the Bill is not great. Kenneth Baker

promised a statement on easing the restriction on Mercury's international service by the end of April. He proposes to announce that he is personally entering into negotiations with both BT and Mercury to achieve our objective. Mercury will be in no position to introduce international switching for at least 12 months - there will, therefore, be no loss involved in delaying the interconnection. Domestic resale is a complex issue and we always had it in mind to take our time and to hold widespread consultations. These have now started and the POEU are involved as participants in the official Consultative Committee on Telecommunications. On the timing of the introduction of OFTEL, we will stand firm on the establishment of OFTEL as soon after Royal Assent as possible but we are prepared to consider a two stage licence for BT for sound practical reasons. BT does not yet know this and it is an extra card up our sleeve. On cable, we have warned Sir George several times that we will not be able to uphold the position in the White Paper if the POEU continue industrial action and Sir George has used this card in his negotiations with the POEU.

4 On Mercury's requirement for interconnection with the BT network, there is no give at all in the Union position. Although key members of the NEC remain instinctively against industrial action on this issue, they are prisoners of last year's POEU Conference Resolution calling for industrial action to prevent Mercury obtaining interconnect. The rationale for ... this blocking action is set out in the attached extract from Hansard of 29 March (Col. 231). It is Sir George's judgement

that at this particular point of time the NEC could not, even if they wished, stop widespread industrial action in the business centres of London, Birmingham, Manchester, Leeds and Scotland against Mercury interconnection.

5 Sir George feels that if Mercury were to press any formal request for interconnect before the POEU June Conference, the setting of a summer election date, or the passage of the T Bill, there would be an explosion with the militants forcing the NEC hand. Part of the POEU aggravation against Mercury derives from a serious inter-union dispute between ASTMS and the POEU about the status of each within BT and Mercury. The POEU changed their constitution 2 years ago to represent workers outside BT while ASTMS made a determined bid to poach some POEU members within BT. The dispute spilled over to the TUC and at present relations between the two Unions are sour.

6 The blocking of Mercury's interconnection raises a point of fundamental principle for Government telecommunication policy. Sir Michael Edwardes (Chairman of Mercury) has made clear to Kenneth Baker this week that while he is prepared to postpone a formal application to BT until 1 May, he cannot do so indefinitely. He has a sales force approaching customers both at home and abroad and the credibility of Mercury is at stake. He has said that if the Government wishes to ask Mercury not to press for interconnect for the wider reason of a potential break-down in communications in the City of London, there should be a

clear Government directive which he can put to the Mercury Board. He is trying to be helpful by suggesting this as he does not want to aggravate a difficult situation. As the failure to provide interconnect would be a breach of contract between Mercury and BT, Mercury could have recourse to the Courts.

7 The end game for Mercury interconnect is neither clear nor certain. BT's preference is to play it long until the POEU Conference from 3-10 June at the earliest and the passage of the Telecommunications Bill at the latest whether this occurs before July or as soon as possible after July, depending on the timing of the election.

8 Once we have Royal Assent, interconnection will be a licence condition for BT. Blocking of interconnection would, thereby, be illegal. The NEC will be in a stronger position to exercise authority over the militants in this event. While unofficial action could not be ruled out even after the passage of the Bill, there is no doubt that BT management will be in a better position to insist on implementation. On the other hand, Mercury cannot be forced to wait indefinitely with BT in flagrant breach of contract.

9 Before deciding on our best way forward I think it would be helpful to have a discussion on:

(a) our attitude to Sir Michael Edwardes' request for a directive to hold off;

(b) Whether we can see if Mercury would be prepared to say to the POEU that Mercury will not be a closed shop for the ASTMS - this could well provide Mr Stanley with a means of taking the heat out of the Mercury issue even before the passage of the Bill;

(c) The timing of the Bill if there is a summer election.

10 I am copying this minute to other members of E, John Sparrow and Sir Robert Armstrong.

PJ

P J

21 April 1983

45 Sep

PJ
K.B.
M.T.
a.H. or Leon
KMA + WW

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

Mr. Stan Thorne: It is not my intention to speak at length so my right hon. Friend the Member for Salford, West (Mr. Orme) need not look quite so worried. I wish to say only a few words because we debated this matter extensively in the Committee and it was quite clear then, as it is now, I do not want to assume what the Minister of State or the Solicitor-General will say on this subject, although I think it is fairly clear what that is likely to be.

It is interesting that spokesmen for this Government have on many occasions alluded to police states and the deprivation of civil rights in several countries—and this at a time when they are implementing legislation that deprives workers in a particular industry of the elementary right to strike. I do not think it is going too far to equate that with the concept of slavery. If workers in this industry cannot respond to difficulties over their working conditions, their pay or anything else that directly affects them because they would be breaking the law, that, it seems to me, is little different from the concept that we have heard described many times by Government Members of a police state.

There are certain other indications, but if I dealt with them now, Mr. Deputy Speaker, you would rule me out of order. The indications are plain. The authoritarian government we have seen over the last four years grows in significance through the activities of people like the Secretary of State for Employment and others. I forecast that if we were unfortunate enough to be faced in a few years' time with yet another Conservative Government there would be even further erosion of civil liberties.

I hope that all Opposition Members will find it absolutely imperative to vote in favour of ensuring that in future British telecomunications workers have the elementary right to withdraw their labour in certain circumstances.

Mr. Golding: My message from the members of the POEU is that the Solicitor-General is saying that one may strike but one must not take other industrial action. If a man is on scheduled overtime—say four hours' overtime—he may strike for 12 hours, but he may not work for eight hours and strike for four hours. He may strike, but he may not work to rule if that is impeding the business in ways which cannot be justified. That is the daftness of the legislation. That is the situation that the Solicitor-General and the Government are trying to defend.

I want to say a few words about the dispute with Mercury, because the Minister of State has referred to that. The POEU wishes it to be known that:

"Mercury, on its own admission, is not going to provide any new service. It will dilute British Telecom's future profitability by competing on the most lucrative business routes currently available. Mercury is, therefore, an unnecessary duplication and waste of national resources.

"Although we [the POEU] remain firmly of the view that it will not be for the benefit of the community as a whole, competition is an established fact. We believe that British Telecom will compete and be effective against its rivals.

"However, we object to the fact that British Telecom is being forced to give up its own telecommunications network for use by these rivals. This is the purpose of our industrial action against connecting Mercury to British Telecom's network.

"Mercury was created to establish an independent alternative network to British Telecom. Although we do not support this, we acknowledge the fact that it is going to happen. However, we do not intend to see Mercury exploiting the network which British Telecom has created over very many years, and which is based upon the work of our members, in order to do this, especially as this exploitation will reduce British Telecom's business and hence the job opportunities for these members. No respectable business should be forced to hand over the use of its assets in this way, British Telecom included."

That is the message that the POEU wishes to give the Government and the Solicitor-General. We believe that it is absolutely right to be able to use industrial action to safeguard jobs and conditions of service.

29/3/83

Prime Minister CC/NO 2

FROM: A. M. BAILEY
13th April, 1983.

TPM

15/4

cc Mr Scholar

CONFIDENTIAL

CHANCELLOR OF THE EXCHEQUER

No 10 happy in principle?

c.c. Minister of State (C)
Mr. Middleton
Mr. Monck
Mr. Burgner
Dr. Freeman
Mr. Traynor

POEU INDUSTRIAL ACTION

Since Mr. Middleton's report of 6th April, POEU have been seeking to step up their industrial action. We have heard of three moves - none of them causing serious problems as yet, but increasing the risks of trouble to come.

(i) BT maintenance staff yesterday walked out of the main Central Branch exchanges serving Whitehall Government offices and there are POEU pickets. BT management staff are co-operating with CCTA to try to ensure that there is no major breakdown if and when faults occur (and precautions are being taken against any risk of sabotage).

(ii) At the Bank, the POEU has tried to use its pickets to prevent Post Office deliveries of applications for the Government stock issue. The Post Office staff concerned co-operated by delivering the applications to another building, so that the Bank's business has not been hampered - but they note that this was a deliberate move planned with some detailed knowledge of the stock issue.

(iii) The Bank have also heard from one of the security firms used to transport bank notes to and from the clearers that POEU is putting pressure on the members of the union concerned, APEX, to refuse to cross the picket lines. So far this request has only been put informally, and the security firm understands from APEX that in those terms the request will be ignored; but if

/they

they are asked formally to instruct their members not to cross the picket lines, then under the general understandings between trade unions they would find it very difficult not to respond. The Bank believe that POEU's next move will be to take this formal step, and that, if this results in a refusal by union members in all three main security firms concerned to cross the POEU picket lines, there could be a noticeable effect in slowing down deliveries of notes.

2. Hence although the situation has not yet escalated substantially, any one of these developments, and particularly the third, could bring much nearer the time when Ministers would need to consider with BT the case for taking stronger counter-measures. The scope for such measures was discussed in the minutes of 8th April from the Secretary of State for Industry, and of 11th April from the Attorney-General. In both cases the view was that, if any action were to be taken, it should be by BT as the employer primarily responsible. I have discussed these latest developments with the official concerned in DOI, and we have agreed that the security firm should be invited to tell its APEX members that the POEU pickets' action is almost certainly illegal; it might also be made clear to them that, although the strike is "official", it is being run from the local POEU branch rather than from the union headquarters.

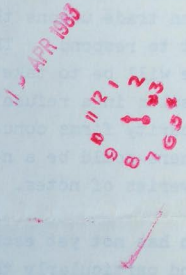
3. I understand that DOI Ministers have had a further discussion with Sir George Jefferson, who expects the POEU action generally to simmer down, though this does not exclude local actions directed against specific Government business (as above); a minute reporting on the situation will be circulated to Cabinet tomorrow. Meanwhile I propose to write to the Department of Industry so that the lawyers who have been advising the Attorney General can consider what would be the best course of action if POEU succeeds in obstructing note deliveries.

4. Hence this note is again only for information at present, but you will wish to be aware of the developments. I will report again as soon as we have a clearer view of the options, if the threat has not subsided.

A. M. BAILEY

Post & Telecom: Pay negotiations in the PO

April 1980.



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CC NO 2

Prime Minister

HLS 13/4

CONFIDENTIAL

PRIME MINISTER

POEU INDUSTRIAL ACTION SITUATION REPORT

You may care to have a report on the latest developments in the situation as regards the POEU industrial action.

Sir George Jefferson is now of the view that there is unlikely to be any dramatic impact in the foreseeable future. The POEU leadership has been forced into allowing selective action in order to pre-empt widespread action by militants. They remain firmly in control. The Westminter branch meeting held today 13 April in Central Hall has made no significant difference.

The union's National Executive Council have, however, drawn a distinction between action against privatisation and action against Mercury interconnect. The NEC are prepared to control the action in the former case but would have difficulty in controlling action on the latter.

Indeed, Sir George is hopeful that the workers at the Government apparatus repair centre will return by the end of this or the beginning of next week. Action will, however, continue at the Bank of England and at the central Government exchange. The numbers on strike are likely to remain at around 30-32. Meanwhile we can expect some hotting up in propaganda over the coming weeks and some picketing. The picketing could become provocative and might not be so easily controlled by the National Executive. Action by pickets at the Bank of England today is disturbing. The attempt to stop the Post Office delivering mail and to persuade APEX to prevent private firms delivering banknotes would represent an escalation, if it continues, and raise a different set of legal issues.

Sir George's overall assessment is that selective action will continue up to the POEU Conference from 3-10 June, by which time it will be clear that the Bill is on the way to Royal Assent, or you have called a June election. In either event, he expects the action to be called off. Meanwhile, he feels we should do all we can to enable Mr Stanley to contain hot-heads and perhaps climb back from the brink.

M87/M87ABP

CONFIDENTIAL

I have discussed the situation with Norman Tebbit and we are agreed that we should remain calm but watchful over the next 4 to 6 weeks and take no action to give the hotheads a rallying point. For this reason, we feel it best to avoid bringing the Mercury interconnect issue to a head immediately and to permit BT's wage negotiations to continue, if at a slower pace.

So long as no actual damage is done to the telephone service and the pickets are kept under control, I think a policy of business as usual is our best response to the present low-key Union flag-waving exercise. Mercury interconnect is important but if we do have to have a battle we must choose the time and circumstances, as that is a battle we must win in a way which demonstrates to the militants that militant action is an unfruitful strategy in the new telecommunications environment we have introduced.

I am copying this to members of E and Sir Robert Armstrong.

K.B.

KENNETH BAKER
13 April 1983

M87/M87ABP

CONFIDENTIAL

Prime Minister 2

HLS 11/4

PRIME MINISTER

POEU INDUSTRIAL ACTION

I have seen a copy of Patrick Jenkin's Minute to you of 8 April.

As he indicates, there are a number of legal points to be considered in relation to the industrial action which is taking place. Apart from the question of possible criminal liability for interference with communications referred to in the Minute, there is the point that the actions of the union and its officials may be outside the immunities from civil suit (because they may not be in contemplation or furtherance of a trade dispute). In this event, it may be open for B T to seek an injunction and this possibility should be thoroughly explored.

I am copying this Minute to the recipients of Patrick Jenkin's.

MH

LAW OFFICERS' DEPARTMENT

11 April 1983

CONFIDENTIAL

1 APR 1983

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CONFIDENTIAL

Prime Minister

PRIME MINISTER

POEU INDUSTRIAL ACTION

Since my office's report to you on 31 March about possible Post Office Engineering Union (POEU) action against Mercury, the situation has changed.

2 In a letter of 31 March Mr Bryan Stanley, the General Secretary of the POEU, notified Sir George Jefferson of a decision to take official industrial action on a selective basis commencing in the City of London and London South Centre Areas on 5 April. The ostensible reason given for this action is the Government's plan to privatise BT. In a further letter of 5 April, Mr Stanley specified the London City and South Central areas as those where the POEU have instructed staff

> "to withdraw labour to further demonstrate the Union's total opposition to the proposed privatisation of BT. The action would cease immediately if the Government were to withdraw their ill-thought out proposals".

The action is clearly directed against Government. In the event about 25 POEU members have not turned up for work or have not performed their normal duties. After being warned those concerned have been treated as being on strike and are not being paid. Necessary maintenance work is being carried out by managerial grades.

3 So far there is no perceptible effect and Sir George Jefferson has assured me that he can cope with the situation without too much difficulty at the present time. He is watching the situation daily and senses that the next critical step might come on Wednesday, 13 April when there will be a meeting of militants to review the situation. Another possibility is that POEU members may be asked to undertake maintenance or repairs normally done by those on strike and may refuse to do so. They would then be sent home without pay, thus escalating the dispute.

4 As you may recall, the POEU Executive came under intense pressure at their Annual Conference last year to take industrial action against Mercury and moves to privatise BT. They are feeling frustrated at their lack of impact on the Bill by conventional means despite their efforts in Parliament through sponsored MPs and at meetings up and down the country. There is also some evidence to suggest that the union leadership are increasingly fed up by their not being "consulted" on a range of matters, eg. the liberalisation of the prime instrument, resale of leased circuits, the Littlechild proposals, the draft BT licence, etc. Whatever the reasons, the POEU are now boxing themselves into a strike against the Bill - clearly therefore a political strike. The action seems to have been forced on a reluctant leadership by a group of militants who are saying "we told you so".

5 I spoke to Sir George Jefferson yesterday and of course there is no question of the Government withdrawing its proposals for privatisation! We have always recognized that there would be fundamental political disagreement on the issue of privatisation. That was one of the reasons why we have said that there will be no privatisation until after the next General Election: "let the people decide". Given this political background, I cannot rule out the possibility of escalation to an all out telephone strike in the summer should it suit their - or the Opposition's electoral purposes.

6 In addition to the meeting of militants on 13 April, there are other dates in the calendar of liberalisation which could provide a trigger for escalation - Mercury interconnect and the promised announcement on easing the restrictions on Mercury's international service. At present Mercury are not ready and there is some slippage - a matter of weeks - in Mercury's requirement for interconnection. We could also tone down the announcement on its international requirements without real damage to our liberalisation programme. Although the POEU and other telecoms' unions do participate in a consultative process in a body called the Consultative Committee on Telecoms (CCT), it is certainly possible for us - at the right moment - to go some way to meeting the POEU leadership's concerns about lack of consultation. I do not however intend to become involved in any sort of negotiation which could weaken the process of liberalisation and privatisation. I will need to explore this aspect carefully with Sir George.

7 On the other side, there are clearly risks for the union in the action they have taken. I have urged Sir George Jefferson to suspend the wage negotiations which have just started should industrial action continue and he is ready to do this. Second, there is the question of BT's participation in cable. If the POEU are deliberately undermining BT's services, that can only undermine BT's attractiveness as a potential partner in cable ventures. For our part, we may need to take a tougher line than currently proposed in the White Paper on BT's obligatory participation in data transmission cable systems in the big cities. The union therefore have a good deal to lose by allowing the action to escalate. The leadership must be aware that they are embarking on a course of action the outcome of which they cannot predict and may not altogether be able to control. They are therefore risking either ridicule for ineffectiveness or strong public displeasure. I have asked Sir George Jefferson for an urgent up-date of the likely effect on services of different levels of disruption and the extent of his ability to cope with the needs of customers through alternative methods. His preliminary assessment is that, in the absence of a major cause for provocation, the current action could continue for a good many weeks without perceptible effect. If of course the action escalated to include public exchanges, then the effect could become serious much more quickly, as many of the old Strowger Exchanges are only kept going by constant maintenance.

8 At some stage there may arise the question of possible criminal liability for interference with communications. The evidence is that the union has already come into conflict with the law but BT are currently taking Counsel's opinion about this. A full strike in response to a decision to send home employees who refuse to carry out work normally done by others would probably be within the letter of the law. I am asking for an immediate assessment of possible legal consequences of different kinds of action.

9 This minute is therefore for information only at this stage. My recommendation is to allow things to take their course at least until Wednesday, and in the meantime to try to find out more about what lies behind the strike and examine contingent Government options further. I have thought it right to proceed with my US tour because it would be extremely embarrassing to have to cancel a number of public appearances because of a strike in our telephone system. I have, however, asked Kenneth Baker to delay his trip to India and he will therefore remain available for consultation and to answer Questions in the House if necessary. There could be a PNQ next week and the Department of Industry are top for Questions on Monday, 18 April. I am also asking for briefing for your Questions on Tuesday.

10 I am copying this to Geoffrey Howe, Norman Tebbit, Michael Havers, John Sparrow and Sir Robert Armstrong.

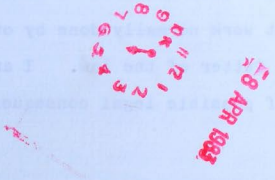
J.P. Spencer

PP P J
April 1983

Department of Industry

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

Post & Telecom
: Withstanding Statute Jan '82



CONFIDENTIAL VC

5 April 1983

Possible POEU Action Against BT Privatisation

The Prime Minister has noted the contents of your letter of 31 March to Tim Flesher about the likelihood of official POEU industrial action against the Government's proposals to privatise BT, starting today.

AJC

Steve Nicklen, Esq.,
Department of Industry.

CONFIDENTIAL

Prime Minister

CONFIDENTIAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ JF3164
Secretary of State for Industry

31 March 1983

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Tim

POSSIBLE POEU ACTION AGAINST BT PRIVATISATION

My Secretary of State thinks the Prime Minister will wish to know that it is likely that official POEU industrial action against the Government's proposals to privatize BT will start on Tuesday, 5 April.

2 Detailed information has yet to become available about this strike, but we understand it results from the POEU Executive losing control of their militants in Central London and that the strike will be on a selective basis in the London and London South Central areas. We understand this to mean that action will be taken against Government, the City, the Bank of England and the like. Although there are unlikely to be severe immediate effects we understand the strike is planned to be indefinite. If it were to go on for a long time there might be a risk of gradual decline in services to those singled out by the union for victimisation resulting from management being unable to cope with all repairs that become necessary.

3 My Secretary of State has put in hand the preparation of a Press release which will make absolutely clear that this is a political strike aimed deliberately against the clearly expressed wishes of Parliament. The Press Notice will also point out that the Government has made it clear that there is no question of selling shares in BT to the public until after the next General Election; the electorate will be asked to decide whether the Government's plans should be implemented. The Press Notice will also state that the Government has made it clear that when shares are issued special measures will be introduced for BT staff and that the interests of the BT employees will thereby be safeguarded.

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4 We are not intending to issue this Press Notice immediately but are holding it in reserve. For industrial relations reasons it would be better not to issue it until the industrial action has started.

5 I should add that there is no connection between this imminent industrial action by the POEU and the one that I mentioned in my letter to you of 28 March which may occur in connection with the forthcoming inter-connect between BT and Mercury except that the same maintenance engineers would be involved. I will of course keep you informed of any important further developments.

6 I am copying this to Felicity Everiss (Department of Employment), Margaret O'Mara (Treasury) in view of the Chancellor of the Exchequer's responsibility for the Central Computer and Telecommunications Agency and Tony Rawsthorne (Home Office) in view of the Home Secretary's responsibility for the Civil Contingencies Unit.

Yours ever

Steve Nicklen

STEPHEN NICKLEN
Private Secretary

EXTRACT FROM A LETTER WRITTEN BY MR BRIAN STANLEY, POST OFFICE ENGINEERING UNION TO BRITISH TELECOM

The POEU have no alternative but to step up their campaign against privatisation and therefore as from Tuesday 5 April 1983 official industrial action will be taken on a selective basis commencing in the London City and London South Central areas of the London Telephone Region. The action may be extended to other areas in the future but initially will be limited to the two areas mentioned above ... The action will be directed against the privatisation proposals and will be intended to draw attention to the union's cause for the withdrawal of the proposals.

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Prime Minister 2 cc PO
Ds letels

JH 382

MS 29/3

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
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LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

28 March 1983

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Tim

POSSIBLE POEU ACTION AGAINST MERCURY

My Secretary of State thinks the Prime Minister will wish to know about some warnings we have received from BT that they may be within a few days of having to face up to industrial action by the POEU as a result of putting into effect the interconnect agreement between BT and Mercury.

2 Interconnect will first become a reality when BT link up the PABX in Mercury's own new headquarters in Long Acre. This interconnection was due to be carried out on 23 March but Mercury, for technical reasons, have had to postpone it for some 10 to 14 days. At this point BT will order a POEU engineer to carry out the necessary work and if he refuses he will be suspended and sent home. Management staff would probably then complete the interconnection but the probability would be that the POEU would react strongly to the suspension without pay of one of its members. BT are unable to predict how extensive any industrial action over such a dispute might prove to be but are concerned that the current mood of the POEU membership is difficult as a result of the campaign the union has been carrying out against privatisation and there have also been signs of growing left-wing influence amongst the membership in the London area.

3 Sir George Jefferson is of the view that BT management have no alternative but to respond resolutely to any POEU action that takes place over this issue. No acceptable compromise seems to be available. Interconnect agreement could only be implemented if POEU members co-operated in carrying it out. If necessary BT will simply have to face up to the consequences of whatever industrial action takes place before the POEU are prepared to back down on this issue of principle.

4 My Secretary of State has indicated that he supports the view that Sir George has expressed. He has offered to see Mr Stanley

(General Secretary, POEU) if BT believe that this would help. But he has also put in hand preparations for a vigorous press campaign aimed at getting the message across that this would be a strike against Parliament (the 1981 Act), against competition and against the consumer; it would be a strike purely directed at protecting the POEU monopoly. My Secretary of State considers that we must make clear right from the start that this strike would have nothing to do with the issue of privatisation of BT.

5 BT are, of course, hoping to defuse the situation before the interconnect takes place. But there have already been some rumours in the press about this impending dispute (see attached copies of articles). I will keep you informed of any important further developments.

6 I am copying this to Felicity Everiss (Department of Employment).

Yours ever
Steve Nalle

STEPHEN NICKLEN
Private Secretary

SECRET Prime Minister (2)

MLS 4/6

cc 10

Post & Telecoms

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

PRIME MINISTER

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Sir Robert Armstrong sent me a copy of his minute to you of 19 May enclosing the report of the Official Group on Telecommunications.

2. The report is a useful one and underlines the value of the programme of such reports which are being undertaken. Clearly there are great uncertainties about the effect of a major dispute in telecommunications. But on balance I found the general message of the report, in terms of the ability of the economy to withstand industrial action in this sector, not a discouraging one. The mitigating action proposed in the report will be useful, as will be action to increase competition in this sector as much as possible.

3. On a more detailed point the Treasury will of course take on board the recommendation concerning the effects of BT on the banking sector.

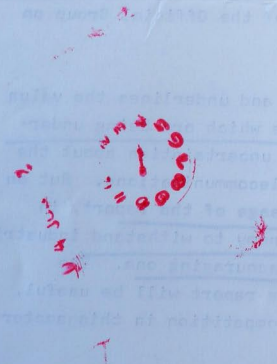
4. I am copying this minute to the Home Secretary, the Secretaries of State for Defence, Industry, Trade and Employment, and to Sir Robert Armstrong.

Jim Rutter

pp (G.H)

4 June 1982

Seen and approved by the Chancellor of the Exchequer and signed in his absence.



Post & Telecoms

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cc J.V.

Prime Minister (2)

Mrs 27/5

SECRET

PERSONAL

PRIME MINISTER

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Sir Robert Armstrong sent me a copy of his minute to you of 19 May, with which he enclosed the report of the official group on telecommunications.

The area of particular concern to my Department is the vulnerability of communications and data links provided by British Telecom for the National Air Traffic Services. Although I understand that the NATS have done some work to explore alternatives to these links, this work has not been carried very far, and air traffic control would undoubtedly face increasingly difficult problems in the event of protracted industrial action among the technical staff of BT who maintain the links. I certainly accept the recommendation at paragraph 38d of the official group's report for a further study of ways in which the vulnerability of air traffic control can be reduced.

I am copying this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, and Employment and to Sir Robert Armstrong and Mr Sparrow.

Arthur Cockfield

LORD COCKFIELD

Department of Trade
1 Victoria Street
London, SW1H OET

27 May 1982

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SECRET AND PERSONAL

Post + Telecomm's Group

cc CPRS
Trade
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10 DOWNING STREET

From the Private Secretary

MR. WRIGHT
CABINET OFFICE

WITHSTANDING A TELECOMMUNICATIONS STRIKE

The Prime Minister was grateful for Sir Robert Armstrong's minute A08450 of 18 May, to which was attached the report of MISC 69.

The Prime Minister accepts the conclusions and recommendations of this report, as set out in paragraphs 37 and 38. She has asked that in the further work which is to be done, account should also be taken of the work on lay-off which is being done by the Department of Employment following my letter to Barnaby Shaw of 7 April. The Prime Minister has minuted that she hopes that the Official Group will consider whether any further measures are necessary to prevent selective action imposing heavy costs becuase of limitations in lay-off provisions.

I am sending copies of this minute to John Kerr (HM Treasury), David Omand (Ministry of Defence), John Halliday (Home Office), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), John Rhodes (Department of Trade), and Gerry Spence (CPRS).

M. C. SCHOLAR

27 May 1982

SECRET AND PERSONAL

SECRET

cc Mr. Mount

MR. SCHOLAR

Withstanding a Telecommunications strike

The Report of MISC 69, in which I participated, submitted under cover of Robert Armstrong's note of 18 May, is I think less useful than the other reports in this series. That is largely because there is rather little that can be done to withstand a telecommunications strike; but also because the damage it would do is unlikely to be immediate, or to threaten essential services, and because its likelihood is rather uncertain.

There was some difference of opinion within the Official Group about the risk of serious industrial action in BT; and the Report as it has come out is rather neutral. My own feeling is that the willingness of BT management to make the recent pay offer casts considerable doubt on their stomach for a fight, and it remains to be seen whether BT management will in fact be prepared to push their proposed productivity improvements very hard. My doubts were re-inforced this afternoon when I heard Sir George Jefferson present his medium-term plan to Patrick Jenkin; he described BT's pay objectives for the medium term as "looking to national average earnings", and the small print of the plan shows the assumption to be in double figures for the next three years. This is justified, according to Jefferson, on the grounds that BT's competitors will be after their own skilled labour; and that productivity increases will be high. On the manpower side, the assumption is for a mere 7% reduction over five years, from about ¼ million to 230,000, justified on the grounds that this would be quite an achievement in the face of the predicted growth in business. In neither case do I see the ingredients for industrial action.

The Prime Minister may feel that it would be appropriate for you to reply noting the Report, indicating her view that the risks of a telecommunications strike should not be allowed to discourage BT management from taking firm action to improve efficiency and restrain pay, and agreeing that the future work proposed should go ahead.

for all groups? whatever new productivity and scarcity? MLS

20 May 1982

SECRET

John Vereker

Ref: A08450

SECRET AND PERSONAL

PRIME MINISTER

Withstanding a Telecommunications Strike

You agreed that work should be put in hand to examine the implications of withstanding a telecommunications strike (Mr. Scholar's letter of 15th January) and the Official Group on Telecommunications (MISC 69) was set up under Cabinet Office chairmanship for this purpose. You also agreed that British Telecom's Managing Director (Inland) Mr. John Harper might contribute to the Group's work on a strictly defined basis; he was consulted through the Department of Industry, was allowed to see, but not to take away, certain of the Group's papers, and attended one meeting.

2. I now attach the Report of MISC 69. The conclusions and recommendations are set out in paragraphs 37 and 38. The implications for the Government's relations with BT are drawn together in paragraph 37(g). Selective industrial action by the Post Office Engineering Union (POEU) could progressively impose costs on the economy, particularly if targeted at international and city exchanges, and threaten some vulnerable points in the public sector, notably air traffic control and computerised social security payments; the public at large would however be unlikely to be immediately affected by selective disruption. Ministers will need to weigh the balance of these risks against the need for BT management to take firm action to improve efficiency and restrain pay. The Government will have to keep closely in touch with the thinking of BT's management on matters which could be relevant to industrial action and be ready to give guidance as necessary to them. Certain further work is proposed in paragraphs 38(b) to (e) with the aim of improving the ability to withstand a telecommunications strike; most of this work will be relevant to the medium and longer term rather than the immediate future, but it should nevertheless be put in hand as soon as possible.

3. I am sending copies of this minute and of the Report to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Employment and Trade and to Mr. Sparrow.

Robert Armstrong

18th May 1982

(approved by Sir R. Armstrong & signed on his behalf).

SECRET AND PERSONAL

SECRET AND PERSONAL

PRIME MINISTER

Video-conferencing

You agreed that work should be put in hand to examine the implications of widening a telecommunications strike (Mr. Nicholas's letter of 13th January) and the Official Group on Telecommunications (MISC 60) was set up under Cabinet Office chairmanship for this purpose. You also agreed that British Telecom's Managing Director (Inland) Mr. John Harper might contribute to the Group's work on a strictly defined basis; he was consulted through the Department of Industry, was allowed to see, but not to take away, certain of the Group's papers, and attended one meeting.

2. I now attach the Report of MISC 60. The conclusions and recommendations are set out in paragraphs 37 and 38. The implications for the Government's relations with BT are drawn together in paragraph 37(a). Selective industrial action by the Post Office Engineering Union (POEU) could progressively impose costs on the economy, particularly if imposed at international and city exchanges, and threaten some vulnerable points in the public sector, notably air traffic control and computerised social security payments; the public at large would however be unlikely to be immediately affected by selective disruption. Minister will need to weigh the balance of these risks against the need for BT management to take firm action to improve efficiency and restrain pay. The Government will have to keep closely in touch with the thinking of BT's management on matters which could be relevant to industrial action and be ready to give guidance as necessary to them. Certain further work is proposed in paragraphs 38(b) to (e) with the aim of improving the ability to withstand a telecommunications strike; most of this work will be relevant to the medium and longer term rather than the immediate future. It should nevertheless be put in hand as soon as possible.

3. I am sending copies of this minute and of the Report to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Employment and Trade and to Mr. Sparrow.

17 MAY 1982

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WITHSTANDING A TELECOMMUNICATIONS STRIKE

Report by the Official Group on Telecommunications

INTRODUCTION

1. The Official Group on Telecommunications (MISC 69) was established by Ministers in mid-January 1982 to examine the implications of withstanding a telecommunications strike. Under Cabinet Office chairmanship the group included representatives of the Prime Minister's Office, Treasury, Home Office, Ministry of Defence, Departments of Industry, Employment and Trade, the Central Computer and Telecommunications Agency and the Central Policy Review Staff. British Telecom's (BT) Managing Director - Inland was consulted via the Department of Industry during preparation of the report and he attended one meeting of the group.

2. The report which follows is divided into five parts -

a. Background - BT's responsibilities, its unions and pay negotiating procedures.

b. Recent history of industrial action and an assessment of the chances of industrial action in BT over the next three years.

c. The forms and likely consequences of industrial action.

d. An assessment of the preventive or mitigating action considered possible.

e. Conclusions and recommendations.

BACKGROUND

BT's Responsibilities

3. BT provide nearly all the inland and international telephone, telex, data transmission and telegram services for the United Kingdom. The services

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AND PERSONAL

include inter alia, private and emergency circuits, diplomatic, defence and air traffic control communications and switching facilities for ITV.

4. There is growing reliance on computer links and BT estimate that over 100,000 circuits are rented either, specifically or mainly, for data transmission and that a considerable amount of data passes over other circuits. Activities which rely heavily on data transmission facilities include banking, City institutions, airline information and seat reservation services, supermarket chains, the oil and motor car industries and the Department of Employment/Department of Health and Social Security (DHSS) benefit systems.

BT's Unions

5. BT employs about 245,000 staff, who are unionised up to a very high level of management. The main unions are -

a. Post Office Engineering Union (POEU) with about 127,000 members in engineering, technical and allied grades plus a small number in factory and supply grades.

b. The Union of Communication Workers (UCW) with some 37,000 members in telephonist and telegraphist grades.

c. The Civil and Public Services Association (CPSA) has about 32,000 members in secretarial, clerical and typing grades.

d. The Society of Post Office Executives (SPOE) with more than 16,000 members in engineering, middle and exchange management grades.

e. The Communication Managers Association (CMA) with about 5,000 members employed in telephone and telegraph supervision.

f. The Society of Civil and Public Servants (SCPS) has some 5,000 clerical supervisors and middle management plus another 572 in computer programming grades.

There has recently been a "leftward" swing in the POEU, and other unions.

BT's Pay Negotiation Machinery

6. All unions have an annual pay agreement with BT which runs from 1 July. Although the unions have a central coordinating committee, now called the BT Union Committee, this body does not conduct pay negotiations with management; each union is responsible for its own separate negotiation. This has led in the past to a great deal of competitive leap-frogging between the unions and "relativities" still cause difficulty. The POEU usually leads the way in negotiation - the other unions holding off until they see what the POEU get.

7. Under the existing arrangements for arbitration, BT unions have the right of unilateral recourse to arbitration; the findings of which are binding in honour on both sides. The BT Board has decided to seek to end unilateral access and has instructed the Personnel Director to negotiate new arrangements with the unions. It is unlikely that any new arrangements will be introduced in time for this year's pay round. If unilateral access is ended, the possibility of industrial action could increase in future years in as far as management takes a tough line.

The Recent Record on Pay Awards

8. The level of POEU settlements in recent years has been:

July 1979 — 9% on basic pay plus 7% for cooperation in grade restructuring, improved procedures etc. Subsequently POEU members received a 5¼% arbitration award with effect from 1 March 1980 and two 1% productivity bonuses.

July 1980 — 18% on basic pay plus 2% consolidated 1979/1980 bonus. Productivity bonuses totalling 3% were awarded during the year.

July 1981 — 9% on basic pay plus 1% consolidation of productivity bonus agreed in previous year plus 2% self-financing productivity bonus.

Settlements in respect of other unions were broadly in line with those for the POEU, although SPOE engineering members received an arbitration award of about 25 per cent in 1979. For the Financial Year 1982/83 it is understood that BT have budgeted for a maximum average rise in basic pay of 5.5 per cent.

9. In recent years the rise in earnings at BT has been round about the national average, although an element of catching up coupled with productivity bonuses resulted in higher than average figures in 1980/81. The following table shows the annual percentage increase in the average BT wages as compared with average earnings generally -

Financial Year ending 31 March	1977/78	1978/79	1979/80	1980/81	1981/82
BT (figures derived from BT's Annual Accounts)	8.8	14.4	15.0	27.8	12.5
National figure (derived from the Employment Gazette)	12.5	13.4	21.3	13.8	10.0

Because the annual pay agreements are effective from 1 July whereas the financial year begins on 1 April, the BT figures partly reflect pay increases in the previous year. Thus the high 1980/81 figure was influenced by the size of the 1979 settlement as well as the 1980 figures. The national figure for 1981/82 is for the calendar year 1981. Direct comparison between BT's figures and the national figures are complicated by differences in timing of annual pay agreements between industries.

10. The Government has only an indirect influence on BT's pay rates. Government views on the appropriate level for public sector settlements are taken into account when BT frame their pay offer(s) and when they formulate and discuss their corporate plan. Particular Government constraints are also considered - eg the EFL and real unit cost performance objectives.

THE CHANCES OF INDUSTRIAL ACTION DURING THE NEXT THREE YEARS

The Past Record

11. There have been a number of occasions since 1970 when one or more of the unions whose members now form the BT workforce have taken part in industrial action. The CPSA and SCPS took action in support of pay claims in 1973, 1974, 1979 and 1981. On each of the first two occasions the action was short-lived, disruption was mostly to the billing and stores control aspects of work and

the effect on the public was minimal. Action in 1979 lasted much longer, April until September. It was in support of a claim for the restoration of internal and external pay relatitivites and was based on the more successful actions undertaken in 1973 and 1974, ie withdrawal of a few key staff in computer centres to achieve maximum disruption on telephone billing and stores requisition. This action had a significant effect on the businesses' cash flow and agency services were also hit. Manual billing had to be reintroduced but billing at no time exceeded 50 per cent of normal. The public received their bills very much later than normal and in some places there were long delays in providing new equipment and servicing. Organisations using BT computers on an agency basis including London Airports Cargo Handling System (LACES) and the Broadcast Receiver licensing system were also affected. In 1981 SCPS carried out selective action spread over several months in pursuit of pay parity with engineering executive staff (SPOE members). Once more the targets were billing and budgetary work but the action had less effect than might have been anticipated - probably due to BT's improved contingency planning, taking account of lessons learned in 1979.

12. The POEU was involved in 1977-78 in serious action over a claim for a 35 hour working week. It was a mixed campaign of industrial action and non-cooperation. The action prevented, inter alia, carrying out field trials on new equipment and techniques and their introduction into service, delayed the maintenance of equipment, prevented some IBA outside TV broadcasts and had a very marked effect on international telephone services. After one year some 160,000 prospective telephone customers had not been provided with telephones. Emergency services were generally kept going by the union throughout the action but failure to provide new circuits affected a number of defence communication plans. Inadequate maintenance in militant areas severely disrupted the inland STD dialling system and in a few cases it was lost completely for periods varying from a few hours to several days.

13. BT unions have been involved in political action, eg the TUC sponsored protest on May Day 1978 against Government pay policy, refusal to handle calls to France in protest against French nuclear tests and, more recently, refusal to handle calls from South Africa as part of an international week of protest. By contrast only 0.6 per cent of BT staff were reckoned to have taken part in the TUC day of action on 14 May 1980.

14. Where POEU members were in close contact with their counterparts in Government Departments a close rapport had frequently developed which had led to continued maintenance of the telecommunications of most importance to Government, often in defiance of union instructions. It will be important not to jeopardise this rapport during efforts to implement BT's improved productivity and working practices. Once lost it will be difficult to re-establish. The POEU members involved will have an intimate knowledge of the circuits most vital to Government and such knowledge would enable the union to direct selective action most effectively, or even facilitate sabotage.

The Chances of Industrial Action over the next 3 years

15. There are a number of factors bearing on the chances of industrial action. They are -

a. On the face of it a low pay offer for the 1982 settlement (paragraph 8) could lead to the possibility of industrial action. Expectations will be influenced by the current inflation rate. Settlements in the current pay round are averaging around 7 per cent across the economy as a whole, with some rather higher settlements in parts of the public trading sector (eg around 9 per cent in the water industry). CPSA and SCPS members will no doubt expect to improve upon the Civil Service Arbitration Tribunal award in May. Against this background even though BT management will no doubt seek to settle as low as possible, it seems unlikely that they will want to court industrial action on pay.

b. Management proposed changes - in a recent message to management, unions and staff, the Chairman highlighted significant weaknesses in BT's performance last year including -

i. the disparity between the 4.6 per cent growth in BT's business and the rise in the staff wage bill;

ii. the failure to meet financial targets (5 per cent real rate of return on assets) in 1979-80 and 1980-81;

iii. the failure to reduce real cost per unit of output, which increased by 5 per cent last year (the target was a reduction of 5 per cent);

iv. BT's running costs rose at double last year's rate of inflation.

He identified various examples of practices and organisational defects that contributed to this disappointing performance, including out of date information systems, inter-union arguments on operating computer terminals, overmanning, overgrading of posts, demarcation problems, inflexible work practices, slowness to accept change, inadequate decentralisation of management etc. The Chairman stressed that BT had about 15 months to prepare for the impact of competition and that failure to do so could lead to a permanent loss of market share. The target was a 25 per cent improvement in efficiency over 3 years. The Chairman also stressed that there were no plans for sweeping across-the-board cuts or redundancies, although he could not guarantee that there would be no redundancies. In this respect he mentioned the need to review existing practices on the retention of staff over 60 and to be more stringent on the employment of staff not up to standard. He also emphasised that there would be no attempt to create a low wage situation and he had no intention of breaking negotiated agreements but would make every effort to renegotiate acceptable alternatives. Although the unions are not in principle opposed to changes, subject to the usual negotiations, the management are aware of increasing tension that could help to spark off industrial action of some kind.

c. Competition and privatisation - although the announcement of the Government's various liberalisation measures has not so far given rise to any action, the consequences of the implementation of these could help further to sour the climate within BT. On the other hand, the introduction of competition strengthens management's position in its attempts to gain acceptance of measures aimed at greater efficiency. Hostility to privatisation, to which the POEU are in principle opposed, could further influence the attitude of the workforce, particularly if they believe that industrial action could affect the success of such measures. (It was recently reported in the press that POEU engineers in Liverpool are pressing the union to 'black' Mercury).

d. Industrial relations legislation - the 1982 Employment Bill currently before Parliament tightens up the law on political action of the kind mentioned in paragraph 13. That apart, the 1980 Act and the current Bill have no special relevance to the circumstances of BT. BT unions are not in the forefront of the opposition to the 1982 Bill, and there are no grounds for anticipating special difficulties for BT in the context of the current TUC campaign against the legislation.

e. Union funds - the BT unions have little in the way of strike funds and would be unable to sustain a prolonged all-out strike. The POEU balance sheet as at 31 December 1980 showed total cash and reserves of £3.75 million of which £1.9 million represented fixed assets(HQ offices etc); investments stood at £0.3 million and cash at £0.68 million. Liabilities were shown as £0.35 million. Selective action could be maintained indefinitely by a levy on those remaining at work. SCPS members during last year's action responded well while the levy was fixed at £2 per week. A similar response could be expected from the POEU membership. A £2 levy by the POEU on its 127,000 members would raise £254,000 a week, which could provide 3,000 members with a weekly income of £84. The length of such action would depend on the extent to which it was proving effective and held out a prospect of success. The withdrawal of 3,000 POEU members holding key posts could be very damaging, depending on how far their work could be carried on by others, including supervisors and managers if necessary. The risk is that in an emotionally charged situation the leadership could lose control of local branches and that unofficial guerilla tactics could greatly increase the damage.

16. It can be seen that the rate and scale of the changes taking place as a result of Governmental policies and management determination to improve efficiency may create an industrial relations climate in which arguments, eg over pay or access to arbitration, could spark off serious industrial action. In this sort of climate there is a risk that the views of the more extreme elements could prevail and that the moderate leadership might find it difficult to control the situation. Should management be

faced with the alternatives of very serious disruption or making significant concessions, it will be important for BT management and Government Ministers to keep in close and constant contact to minimise the risks of misunderstandings arising on either side.

THE FORMS AND LIKELY CONSEQUENCES OF INDUSTRIAL ACTION

17. BT management consider that a prolonged all-out strike is unlikely. The unions do not have funds to support such action and recent history (paragraphs 11-13 above) indicate that this would not be a favoured tactic. The unions would seek to attain their objectives by selective action which might include token stoppages, overtime bans, working to rule, non-cooperation - all of which could progressively affect existing services and the provision of new services. Potentially, most damage would be caused by selective action by the POEU aimed at particularly vulnerable points in the network. It would be relatively simple for the POEU to select areas for action that affected only the organisation they wished to attack, eg BT itself, the Government, commercial or industrial concerns or the general public.

18. Of the many potential targets the POEU could select, perhaps on a rotational basis, the following are considered to be particularly vulnerable -

a. International services - the main international switching points are housed in a small number of buildings in London. International satellite communications are at present serviced by earth stations on two sites, although alternative cable routings would reduce the damage caused by any interruption in satellite links. A lengthy interruption in international services would be particularly serious in terms of loss of revenue for BT and damage to export business. BT's earnings from the main international services in 1980/81 were £758 million and the estimate for 1981/82 is £960 million.

b. Large exchanges - where one building contains a number of units, including auto-manual centres to which calls needing the service of operators are routed and telex facilities. These are situated in the major cities. Absence of maintenance over a period would lead to the loss of local and trunk circuits leading to increasing difficulty in obtaining calls.

c. Large repeater stations - each controlling a number of major routes. Because of the diversification of routes, the loss of one repeater station would not necessarily mean a loss of whole routes but would mean a loss of circuits with consequent increased pressure on other routes.

d. Data links - given the reliance of a number of businesses - including banks, and supermarket chains, on data links, the position of these also give rise to concern. As already stated (paragraph 4) BT estimate that over 100,000 circuits are rented either specifically or mainly for data transmission. BT consider, however, that their vulnerability is reduced by the fact that they are routed through facilities handling both data and voice and are not easily identifiable. To be fully effective selective action against data links would, in any case, often need to be taken at a number of points. Coordinating such action is considered well within the abilities of the unions concerned.

e. Links with North Sea installations - BT plays an important role in providing telecommunications and telemetry facilities between on-shore bases/terminals and off-shore installations. A prolonged loss of these BT services could well result in production cutbacks, would hamper the movement of personnel and materials and lead to reduced levels of operational safety. A number of such links are, however, operated by the organisations concerned under licence from BT.

f. ITV broadcast switching - BT switch for ITV including, in London, between Thames and London Weekend broadcasting services. The BBC has a significant rented network switched by its own staff and is therefore less vulnerable, although outside broadcasts could be affected.

19. For the most part the selective withdrawal of POEU staff at key points would not have immediate effects for the public. The main problem would be delays in clearing individual faults, leading to a progressive deterioration in services in the areas affected, with a risk of interruption at times in some places. The rate of deterioration would depend on the willingness and ability of supervisors and managers to undertake work normally done by the POEU members who had been withdrawn. The provision of new services would also be delayed.

20. A withdrawal of labour affecting switching for ITV would prevent switching taking place so existing arrangements on Friday evening for changing between Thames and London Weekend TV would be inoperable. This means that one or the other would not be able to transmit - depending upon when the action began. Problems could occur for television outside broadcasting by both ITV and BBC.

21. As stressed above, a prolonged all-out strike by the POEU is unlikely. Should it occur there would be a progressive deterioration of telephone and telex services, including private circuits, due to lack of maintenance of faulty plant both within the exchanges or repeater stations and in respect of customers' lines and terminal apparatus maintained by BT. It is not possible to be precise about the rate of deterioration or the timescale which would vary in different parts of the network, some 70 per cent of which, particularly exchanges, is still "old fashioned". The trunk services would be more vulnerable than local services but beyond this it is difficult to forecast the likely pattern of faults. The cooperation of management and supervisory grades, if it is forthcoming, would ease the situation for a time but, as more serious faults developed, they would be unable to cope and these would remain unrepaired until POEU members returned to work. Lack of management and supervisory cooperation during selective action is unlikely to lead to the complete closure of the network. As modernisation of the network proceeds, with stored programme control and digital systems, its resistance to industrial action will improve considerably and with cooperation from management level staff it will be possible to maintain a reasonable level of service indefinitely in those parts of the network that have been modernised. Modernisation is proceeding very fast but limitations of technology, investment by BT and production facilities are likely to prevent even faster progress. It will be the late 1980s before modernisation is sufficiently far advanced to give large scale improvements in resistance to industrial action.

22. There is no record of significant sabotage having been employed in previous industrial action in the United Kingdom. During the Irish telecommunications strike in 1980 there were some incidents of sabotage which were quickly noticed by managers and easily rectified. No doubt BT unions will have noted this. It is considered that whilst selective action is under the official control of

the unions sabotage is unlikely. But if militant elements gain control then sabotage may become more likely (see also paragraph 14) especially as it is not easy to attribute sabotage to particular individuals.

23. Other action that could immediately affect the public would be action by UCW members affecting telephone operator services or the emptying of telephone kiosk coin boxes. The importance of operator services has been rapidly reducing with the expansion of automatic dialling but at present about 5 per cent of international traffic is to countries for which automatic dialling is not yet available. Jammed coin boxes could prevent any calls, including emergency calls, where the mechanism was affected, although BT would attempt to seal the coin slots to prevent this.

24. Amongst many organiastions both public and private which would be affected by industrial action in BT the following may be considered particularly important -

a. The Foreign and Commonwealth Office (FCO) is totally reliant on BT for its telephone (including secure telephone) facilities. It also relies on BT for line telegraph facilities to a number of important posts overseas. Unavailability of BT maintenance would impair the FCO's ability to maintain full communications with missions overseas and with Departments in London and this effect would be progressive. But telephone communications could be converted to telegram or letter. Radio telegraph and bag services would be strengthened and linked to all posts through overseas postal and telegraphic services. In terms of telegram traffic the means exist to enable at least 30 per cent of the additional load to be carried at the outset and within a very few days arrangements could be made to increase this to at least 80 per cent. While therefore the FCO's communications function would be impaired it is considered that an adequate service could be provided.

b. Although the police rely mainly on the use of their own radio communications - especially at local level, BT provide the links for the Police National Computer. Even so the Home Office consider that there should be no serious consequences for either the police or the intelligence agencies unless industrial action in BT lasted more than 2-3 months.

g. Banking The clearing banks inspire a great deal of inter-computer traffic relying to a large extent on BT provided lines. Even though some work could once again be done manually and arrangements could be made for cheques to be cleared locally or through the mail there is no doubt that the banks would be in great difficulties in registering credit and debit transfers and maintaining accounts if deprived of their inter-computer links. Development of the Clearing House Automated Payments System (CHAPS) will make banks even more dependent on telecommunications from 1983 onwards although it will be some years before the system is working at full capacity.

h. The City From the City of London's point of view the domestic market - dealing in gilt edged, local authority sterling borrowing and ordinary shares, is heavily dependent on telephone and other BT links. Any restrictions on use of these links would cause a progressive decrease in efficiency. International markets, eg foreign exchange and commodities would lose business to other international centres, some of which may not return, despite the attractions and facilities the City can offer.

j. Exports As telecommunications facilities deteriorate a correspondingly serious effect will become evident on exports - success in which depends almost entirely on the speedy communication provided by telephone and telex. In this area too there are grave risks of not regaining lost markets for products that can be obtained from countries other than the United Kingdom.

PREVENTIVE AND MITIGATING ACTION

25. Statutory position under telecommunications legislation - Section 45 of the Telegraph Act 1863 makes it an offence for any employee of BT wilfully or negligently to prevent or delay the transmission of any message. This does not impose a fetter on BT's employees' right to withdraw their labour as such but some forms of industrial action short of a strike, whilst such employees remain at work, may fall foul of the law. Each case of such industrial action would, however, need to be considered on its own merits as to whether an offence had been committed. Legal advice from the Attorney-General in 1981

c. The Ministry of Defence have a contingency plan (Op TWITTER) which could be implemented in the event of industrial action in BT. This will meet the services' essential requirements - including links with NATO - albeit at the price of a considerable reduction in the volume of traffic that could be handled.

d. DHSS are becoming increasingly dependent on BT links for computer controlled payments of various sorts and will be virtually 100 per cent dependent in about 5 years' time. As increasing dependence will make this important service a particularly vulnerable target for POEU action - even if it may be a highly unpopular one with the large numbers likely to be affected, it is an area where due attention should be given now to practical alternative ways of making payments that do not depend upon BT links.

e. Air Traffic Control The national air traffic control system is based on two main centres at West Drayton and Prestwick, which are linked to 30 radio stations by BT lines. As an insurance against interruption two independent BT routes are provided, together with some spare lines. The Civil Aviation Authority (CAA) does have its own limited radio link in the London area. The loss of access to the BT network would effectively paralyse the national air control system - both air/ground and ground/ground - and would necessitate the closure of civil airports. The CAA have given some thought to the possibility of extending their own radio links or seeking arrangements with MOD for the use of their facilities in emergency. This does not appear as yet to have been taken very far but there are good reasons for completing the necessary work as a matter of urgency.

f. Emergency Services In the past the POEU has always given notice of intended action and reached agreement with management on the services to be maintained and the POEU and UCW can probably be relied on in the future to cooperate in maintaining essential services, including the 999 service - if only out of regard for the general public's attitude to their case. Cooperation in the maintenance of essential services is important and contingency planning must take account of the need to avoid, as far as possible, alienating the employees to the extent that they may refuse such cooperation.

was that discriminatory action against particular individuals or countries would in his view justify prosecution under the terms of the Act although no prosecution has been launched to date.

26. It has already been stated (paragraph 17) that industrial action is likely to involve selective disruption (rather than an all-out strike) designed to exert maximum pressure at minimum cost to the unions and their members. A range of counter-tactics may be available to BT management depending on circumstances. In the case of selective stoppages by small groups, those concerned can be dismissed after warning, where this is operationally feasible and the risk of escalation is judged to be acceptable. It may be possible to require others to perform the work of those on strike, and suspend them if they refuse. Where a selective stoppage leaves other employees with little or no work it may in certain circumstances be possible to lay the latter off. Similarly, limited action of the kind sometimes described, misleadingly, as "working to rule" may amount to breach of individual contract, providing management with a range of options including disciplinary measures, appropriate reductions in pay, or suspension from duty without pay. Other tactics aimed more specifically at the unions might be available, eg suspension of "check-off" facilities, although this would be more appropriate to an all-out strike than to selective action.

27. Experience elsewhere has shown that the threat or implementation of carefully rehearsed sanctions can prove effective. Conversely, where they are misjudged or ill-timed they can make matters worse. The counter-tactics to be adopted must, of course, be a matter for management judgment of the particular circumstances at the particular time; but many factors which may be critical to decisions on such sanctions - crucial operational constraints, the contractual position of different categories of employees, any relevant agreements, eg on a guaranteed week, lay-offs etc - have been carefully analysed by the BT management in advance as part of their contingency planning.

28. BT's contingency plans - BT has prepared detailed plans to counter the effects of industrial action. These provide inter alia for the emergency operating procedures that would need to be introduced, for control procedures, for the use of supervisors and managers to carry out work normally done by those taking the action, and for a communications system that is both secure and reliable.

29. In the event of severe degradation of the network, either on a national or local scale, BT has established priorities which could be followed if congestion requires that traffic should be controlled by limiting access to the network or in the restoration of services. However, such action is less likely to be appropriate in the case of selective action. The priorities set by BT (see Annex A) place Government and BT control communications and "life or death" services at the top of the list. In a worst case situation resulting from an all-out strike, BT would try to meet these "top" objectives by using managerial/supervisory staff.

30. Where appropriate, a number of pre-emergency measures are already being implemented. For example -

a. potential trouble-makers are, where appropriate and practicable, being moved to less sensitive installations;

b. local supervisors and managers are being involved more directly in day to day work of operating major installations, thus increasing their competence to keep them going during a POEU strike;

c. additional POEU staff are being given experience of key jobs thus increasing the cost to POEU members of calling out a few key men, since others will be capable of doing the work and can be sent home if they refuse;

d. provisional arrangements are being made with European PTTs to ear mark extra circuits against the possibility of POEU action at key radio stations;

e. in some peripheral cases (eg cable ship operations, computer plant maintenance) plans have been made to put the work out to contract;

f. modern telecommunications systems and equipment tends to need less maintenance. Ways of further reducing the vulnerability to industrial action of new systems which will be coming in over the next ten years are being studied (see paragraph 21).

31. The inevitable weakness in BT's contingency plans is that their success in the event of widespread disruption largely depends on the cooperation of supervisors and managers, when only the cooperation of more senior managers can be absolutely assured. In any case, the more extensive the action the less effective would the plans be. The Chairman has stressed that because the POEU is an intelligently run union with a loyal membership and with many thousands of potential targets for disruption, in the last resort there is no way of preventing official industrial action from seriously affecting service to the public. The main network of communication could probably be kept going, but public communication would suffer servere progressive degradation amounting at different times and places to interruption. Among the tactics available to BT, if circumstances justified it, would be to maximise the impact on the POEU membership by sending as many home as possible, even at the cost of temporarily worsening service to the public.

32. BT's contingency plans against selective action at computer installations by CPSA/SCPS (not POEU) members were tested out in 1981, during sixteen weeks of selective action by SCPS aimed at billing and budgetary work. Use of manual billing and other measures neutralised the effects of the action to such an extent that there was no noticeable effect on the business as a whole. BT have contingency plans to deal with disruption to computerised distribution of stores from the central depots - including arrangements for equipment to be supplied direct from contractors.

33. Use of servicemen, volunteers, or outside contractors - there are very few servicemen who could do any of the work undertaken by POEU grades. There are limited numbers who could repair telephones or cables and some who could undertake more sophisticated work but the numbers available are so few that they would not make any measurable impact in the event of a widespread withdrawal of POEU labour. The use of servicemen to counter limited selective action cannot be considered a possibility. Such a move would inevitably escalate the action, put at risk the maintenance of emergency and other essential services and possibly provoke sabotage. BT's Chairman has similarly ruled out the training of volunteers to man the major installations on the grounds that it would be both impracticable and counter-productive. It would be impracticable because each such installation is both unique and

highly complex, so that training would have to be done on the spot by existing staff, and because the only people capable of doing the work would be ex-staff, who would be unlikely to "blackleg" against their own union. Although there are, in the telecommunication industry, people with the expertise to make some contribution, their use in the event of selective action raises the same objections. In the unlikely event of all-out POEU action there might be a case for exploring this option on an ad hoc basis, although companies would be concerned to ensure that their own business was not damaged, and, in the circumstances of all-out action any contribution they might make to maintaining services is likely to be marginal. It is difficult to see that much purpose would be achieved in planning for this in advance, particularly in view of the risk of leaks.

34. There might be more scope for the use of servicemen and volunteers if the union in dispute were the UCW which represents telephonists and telegraphists. A contingency MACM plan exists (Op YOGA) for some 150 service personnel to man essential Government switchboards. In the absence of the expected cooperation in maintaining the 999 service it should be possible to maintain a skeleton service by utilising service personnel. The Ministry of Defence could make 1,000 available but they would require basic training for the job. This training should require no more than a few hours. Any attempt to enlist the help of volunteers would need to be made on an ad hoc basis at the time and depending on the circumstances. It is impossible to estimate the likely response.

35. Alternative communications systems - although a number of large organisations operate their own communications systems, these to a considerable extent rely on BT lines. The notable exception is British Rail, which operates its own totally integrated network carrying voice and data. In the power industry the position is as follows:

a. British Gas has a totally independent microwave operational communications network, which would allow the gas supply to be monitored and maintained during a strike at BT. The Corporation rely more heavily on BT circuits for "administrative" communication but there are plans to reduce dependence on BT for this purpose.

b. The CEGB's telephone and teleprinter links with Regional HQs and power stations use private lines rented from BT. The Electricity Council and Area Board HQs have similar facilities. However, the Electricity Council has, as a fall-back, HF radio teleprinter links with Area Board HQs, and the Area Boards have microwave radio links within their areas, which are being improved.

c. BT provide shore-end facilities for links with 90 per cent of the Northern Sea off-shore installations. (For the remainder - mainly southern gas platforms - operators were allowed early on to provide their own facilities because BT was not then in a position to meet the requirement). Some voice contact could be maintained through BT's Coast Radio Station HF service, which is unlikely to be affected by industrial action.

d. The most substantial civil alternative to BT will be the Mercury network. Assuming Home Office agreement to the necessary frequency allocation, Mercury plan to have their London microwave link operational in early 1983. This is planned to extend to Birmingham in September 1983 and thereafter microwave and optical fibre links will be extended to link London, Birmingham, Manchester, Liverpool and Bristol. This programme will provide 8,000 digital circuits when completed in August 1985.
(Note: this information is Commercial in Confidence)

It follows from the above that, apart from the planned Mercury network and the possibility of using a small amount of excess capacity in the British Rail system, there currently appears to be little in the way of facilities outside BT that could be put to wider national use in the event of a serious interruption at BT. On the other hand the industries who have their own communication networks should be able to maintain their own operations.

36. Future possibilities for alternative communication networks

a. For Mercury to be capable of providing an adequate alternative service in the absence of a dependable service from BT during an industrial dispute affecting the latter, the Government telecommunications infra-

structure would have to be divided between BT and Mercury, both in the provision of links and of switching facilities, the latter including public and private exchanges. Mercury would need to achieve 50 per cent of the market share and would also have to provide adequate geographic coverage. Industry and commerce would have to follow suit. It is improbable that Mercury could invest at a sufficient rate to provide other than a small fraction of the service provided by BT except perhaps for leased lines. Such a major step would have no benefit other than reduction of dependence upon BT personnel and the cost effectiveness of such an arrangement must be doubtful.

b. As a possible alternative, Government could develop and operate an "austere network" with switching nodes under its own control, drawing upon as many sources as possible of telecommunications links. This network would have to form an integrated part of normally-used facilities or run the risks associated with "strike-breaking". Establishing such a network would certainly be expensive as capital and running (including manpower) costs would be involved but it is not possible to estimate the amount without further work.

c. If BT and Mercury links were not thought sufficient for a dependable "austere network", the only other realistic alternatives are those networks operated by certain public utilities. Ministers would need to agree a policy calling for such utilities to:

i. use common standards to ensure technical interoperability;

ii. make provision in forward plans for defined capacity over and above their own needs, and to make such capacity available for central Government use at all times.

d. Satellites, while offering possibilities in the long term for telecommunications for Government, independent of any terrestrial single common carrier, can be discounted for several years for this purpose, and the problems connected with ground distribution would also need to be solved.

CONCLUSIONS AND RECOMMENDATIONS

37. Our conclusions can be summarised as follows:

a. Probability of industrial action

The chances of industrial action by BT's workforce over pay, management efforts to increase efficiency, or competition and privatisation are now greater than they have been for some years. The probability of action can be expected to increase as the unions perceive the growing dependence of the economy on telecommunications links and the bargaining power which this provides.

b. Type of action

Although an all-out strike cannot be wholly ruled out, the most likely form of action is selective strike action by the POEU involving only a few union members at one time and concentrated on specific areas of telecommunications designed to bring pressure to bear on BT's management, the Government, key sectors of industry and commerce or the public at large, depending on the union's chosen strategy.

c. Effects of action

Withdrawal of POEU staff would lead to a progressive deterioration of service in the areas affected, as faults occurred which could not be corrected. The speed and pattern of deterioration could not be predicted as it would depend on where the faults occurred, on how serious they were in disrupting the network, and on the willingness and ability of supervisors and managers to correct the faults.

d. Endurance of the unions

Although the funds available to the unions to finance a strike would be small, selective action by small groups of staff could probably be financed indefinitely. Various responses to selective strike action are available to BT's management, as to other managements. The use of such responses would have to be decided at the time and it is not possible to predict how effective they would be in curtailing the industrial action.

e. Vulnerability of particular sectors

i. In central Government, FCO and MOD communications could be sustained for essential requirements; there is however concern about the increasing dependence of DHSS, and perhaps other Departments, on BT links for computer controlled payments.

ii. Several public sector organisations (eg British Rail, British Gas, the police to some extent) have independent communications networks for various purposes; in certain areas however (eg the CAA's air traffic control) less dependence on BT's network would seem feasible and desirable.

iii. Except where they have their own networks, the degree to which users would be affected would depend on their place in the agreed list of priorities, which is primarily directed towards maintaining Government and BT control communications and "life and death" services. The international trading sector, particularly those engaged in international financial and commodity markets in the City, would be severely affected by a disruption of international telephone and telex services; domestic banking and money transfers are also increasingly vulnerable. Much would depend on the ingenuity with which particular firms and individuals managed to devise other ways of making essential communications but substantial disruption would be unavoidable.

f. Scope for mitigating action

Some action is already in hand which could mitigate the effects of selective strikes in BT, ie -

i. Modernisation of the network which will lessen dependence on POEU staff.
(This is already proceeding as rapidly as is feasible but will have little effect on the scale of the problem until the end of the decade).

ii. BT's own contingency plans designed to ensure that their management control communications would be sustained during a strike and to increase the chances of keeping key installations in operation.

iii. The development of the Mercury alternative network which should by August 1985 be providing a service between the major centres of population in the United Kingdom for premium industrial and commercial users.
(Mercury's share of the United Kingdom telecommunications market will not however exceed about 5 per cent; it is also possible that this network could be affected by simultaneous industrial action either because it was unionised by the POEU or because of sympathetic action by another union. The possibility of further alternative networks raises major issues of telecommunications policy which are being considered elsewhere; it is however unlikely that such networks could make a significant contribution within the next ten years).

Other action which might be explored would be:

iv. Further action to reduce the vulnerability of central Government communications, ie to reduce dependence on BT links for computer controlled payments in DHSS and elsewhere and to explore the feasibility of an alternative network to carry essential Government communications, for example through the use of other communications links in the public sector which would be made interoperable.

v. Further action to reduce vulnerability of other public sector services - notably the CAA' s air traffic control.

vi. Further action in the private sector to cope with the disruption to money transfers which would result from the loss of BT links.

g. Implications for Government's relations with BT

The analysis suggests that costs to the economy could arise from selective action particularly if targetted at international and City

exchanges. The speed of development and extent of these costs would depend on the effectiveness and scope of the action, which is unpredictable, and the ability of traders, banks and so on to find ways round difficulties. There are vulnerable points in Government too, notably the CAA and those parts of the social security payments systems which are dependent on inter-computer telecoms links. More work needs to be done on these. Political pressure for early resolution of selective industrial action might therefore arise first from commercial and business interests. On the other hand the analysis suggests that the public at large would be unlikely to be immediately affected by selective disruption. Ministers will need to weigh the balance of these risks against the need for BT management to take firm and successful action to improve efficiency and restrain pay. It will also be essential for the Government to keep very closely in touch with the thinking of BT's management on matters which could be relevant to industrial action, and to be ready to give guidance, as necessary, to them.

38. We therefore recommend as follows:

a. that Ministers should take note of the report as background to the handling of policy issues affecting BT and particularly of the need to keep closely in touch with the thinking of BT's management on matters relevant to industrial action;

b. that the CCTA should be asked to undertake the following studies:

i. a study in consultation with DHSS and any other Departments similarly affected to explore how far in planning future arrangements for computer controlled payments dependence on BT links can be reduced;

ii. a study to establish the costs and benefits of developing in the longer term an alternative network for essential Government communications, possible through the use of interoperable communications links elsewhere in the public sector;

c. that all Government Departments should be asked to review their contingency plans, in the light of the risk of industrial action by BT as identified in this report, including in particular alternative methods of making payments;

d. that the Department of Trade should be asked, in consultation with the MOD, CCTA and DOI, to explore with the CAA the extent to which air traffic control is vulnerable in industrial action by BT and the scope for reducing this vulnerability as soon as possible;

e. that the study which the Treasury already has in hand in consultation with the Bank of England and other Departments on industrial action in the banking sector should be extended to include the effects of industrial action in BT.

If that the Department of Employment be asked to review the present Law to see what changes are necessary to prevent selective strikes causing heavy costs because of 'key-point' knock-on.

Cabinet Office

17 May 1982

ANNEX A

BT PRIORITIES FOR MAINTAINING COMMUNICATION DURING DISRUPTION BY INDUSTRIAL ACTION

1. To establish and maintain effective BT and Governmental control communications, including the necessary manning of Government switchboards.

2. To maintain "life and death" services.

3. To maintain services to category I subscribers in the Government Telephone Preference Scheme. These subscribers are those considered vital to the prosecution of war and to national survival and include transport control, broadcasting, energy supply, food and agriculture, health, essential national Government, military and police establishments.

4. To maintain trunk and junction network at full efficiency.

5. To maintain telex and essential private services eg data links, circuits for broadcasting authorities.

6. To maintain services to category 2 preferred subscribers; ie those additional lines considered necessary to maintain the life of the Community during a civil emergency. These include local government, employers' associations, the judiciary, newspaper industry plus extra lines for food and agriculture, transport, health, safety etc.

7. To keep call offices available for emergency calls.

8. To maintain non-essential services.

SECRET AND PERSONAL

SIR ROBERT ARMSTRONG

Withstanding a strike in Telecommunications

I showed your minute to me of 18 February about the membership of MISC 69 to the Prime Minister.

The Prime Minister is content with the suggestion that Mr. John Harper should attend certain meetings of the Group and to see but not take away certain of its papers.

MS.

19 February 1982

SECRET AND PERSONAL

6

(1)

Prime Minister

Content?

Ref. A07545

MR SCHOLAR

Yes MTS

MTS 18/2

Withstanding a Strike in Telecommunications

Following the Prime Minister's agreement that the problems connected with withstanding a strike in the telecommunications industry should be examined, an Official Group on Telecommunications (MISC 69) has been set up under Cabinet Office chairmanship.

2. The idea of having a representative of the British Telecom Board as a member of MISC 69 has been ruled out on security grounds. But Department of Industry advice at Official level is that inputs from British Telecom will be necessary; that these can be sought in such a way as to conceal the full scope of the study; and that this should be done by allowing a suitable Board member to attend certain meetings of the Group and to see (but not take away) certain of its papers. The member they have in mind, Mr John Harper, is the Managing Director Inland, and is regarded by the Department as entirely trustworthy and secure. I would endorse this view, from personal experience of dealing with Mr Harper on interception questions.

3. Could you let me know if the Prime Minister would be content with this suggestion?

RTA

ROBERT ARMSTRONG

18th February 1982

SECRET AND PERSONAL

Copy no 7 of 10

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SECRET & PERSONAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7003
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Sir Peter Carey KCB
Permanent Secretary

9 February 1982

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

Dear Robert,

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Thank you for sending me a copy of your letter of 2 February to Douglas Wass.

This Department's representative on MISC 69 will be Roy Croft, the Deputy Secretary responsible for telecommunications, with Jonathan Solomon, the Under Secretary in charge of our Posts and Telecommunications Division, as his alternate.

I am sending copies of this letter to the recipients of yours.

Yours ever,

Peter

Peter Carey

cc Sir D Wass
Sir K Barnes
Sir B Cubbon
Sir F Cooper
Mr R Ibbs
Mr C Whitmore

Mr Croft
(with papers)
Mr Solomon

Department of Employment
Caxton House Tothill Street
London SW1H 9NA
Telephone 01-213 3000

Sir Kenneth Barnes KCB
Permanent Secretary

8 February 1982

Post + Telecomm's

SECRET AND PERSONAL

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
SW1

Dear Robert,

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Thank you for sending me a copy of your letter of 2 February to Douglas Wass.

I should like this Department to be represented on MISC 69 by Matt Wake, the Under Secretary with responsibility for industrial disputes and contingency planning.

I am sending copies of this letter to Douglas Wass, Peter Carey, Brian Cubbon, Frank Cooper, Robin Ibbs and Clive Whitmore.

Yours ever,

Ken

K BARNES

Post + Telecomm's

CONFIDENTIAL PERSONAL

CONFIDENTIAL & PERSONAL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2193 (Direct Dialling)
01-218 9000 (Switchboard)

PERMANENT UNDER-SECRETARY OF STATE
SIR FRANK COOPER GCB CMG

PUS/82/140
55/26

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
London SW1

4 February 1982

Dear Robert

Thank you for sending me a copy of your letter of 2 February to Douglas Wass. Our representative on the Official Group will be Barry Miller, Head of Defence Secretariat 6, (218 7036). Copies as yours.

Yours ever
Frank

FRANK COOPER

CONFIDENTIAL & PERSONAL

CONFIDENTIAL PERSONAL

YLO AH 4

cc's Tsy MOD
D/I MPO
D/Emp
HO

10 DOWNING STREET

From the Principal Private Secretary

4 February 1982 John Vereker

SECRET AND PERSONAL

Dear Robert,

WITHSTANDING A TELECOMMUNICATIONS STRIKE

Thank you for sending me a copy of your letter of 2 February 1982 to Douglas Wass.

I should be glad if No 10 could be represented on MISC 69 by John Vereker.

I am sending copies of this letter to Douglas Wass, Peter Carey, Ken Barnes, Brian Cubbon, Frank Cooper and Robin Ibbs.

Yours ever,

Clive Whitmore.

Sir Robert Armstrong KCB CVO

SECRET AND PERSONAL Copy No 2 of 11

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SIR BRIAN CUBBON KCB
PERMANENT UNDER-SECRETARY OF STATE

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

4 February 1982

Dear Robert

Thank you for copying to me your letter of 2 February to Douglas Wass inviting nominations of departmental representatives on the Official Group on Telecommunications (MISC 69).

I would like to nominate David Heaton, the Under Secretary here responsible generally for civil emergencies. He will be able to deal also with any other aspects in which the Home Office is concerned, eg public order and communications for the emergency services.

Copies as for your letter.

Yours

Brian

Sir Robert Armstrong KCB CVO.

SECRET AND PERSONAL

SECRET AND PERSONAL

Ms Hastings.
Do you want us pursue
with to be represented on this
group?
Ref
2/2/82

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A07307

2nd February 1982

Yes. John Vereker is our
nominee as it is in fact going
to have a preliminary talk with
Robert W-G. on Thursday.
RA

Withstanding a Telecommunications Strike

As you know, the Prime Minister has now approved the proposal contained in the Chancellor's minute to her of 11 January that the next study of withstanding a strike in a key area should be of the telecommunications rather than the rail industry, as Ministers had previously agreed. I am therefore writing to invite you and those to whom I am sending copies of this letter to nominate representatives to the Official Group on Telecommunications (MISC 69) which has been established for this purpose under Robert Wade-Gery's chairmanship.

Robert Wade-Gery is already in touch with the Departments principally concerned about the ground to be covered in this study and to commission papers as a starting point for the Group's work. I gather that he hopes to call a first meeting of the Group in the near future. I should therefore be grateful if you could let me know fairly quickly who your representative will be. I imagine that you will want to nominate someone not only from the Treasury but also from the CCTA.

I am sending a copy of this letter to Peter Carey, Ken Barnes, Brian Cubbon, Frank Cooper, Robin Ibbs and Clive Whitmore.

ROBERT ARMSTRONG

Sir Douglas Wass, GCB

SECRET AND PERSONAL

Original filed at Gov Hosp MC CCU

SECRET

CC SU
AD

(1)

Prime Minister

Agree to a MISC 57 study of telecoms?

(I understand that the other colleagues are content)

MCS 14/1

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

PRIME MINISTER

WITHSTANDING STRIKES Yes. MS

I have seen your Private Secretary's letter of 22 December to Sir Robert Armstrong, which follows discussion at your meeting on 17 December of the suggestion I made that we might commission further studies of capacity to withstand strikes in key areas.

2. I am sure that we were right to approach this on the basis of getting on quickly with another study, rather than losing time in abstract consideration of the case for such studies. But in reflecting on our discussion, I am less sure whether rail is the best subject if we are confining ourselves to a single study of some importance and urgency, before considering whether a further range of studies should be put in hand.

3. A rail study would overlap with the MISC 57 study to an important extent (because that study already covers the question of the delivery of coal for power stations) and would therefore be less likely to reach novel conclusions. Moreover the possibility of industrial action on the railways over the next month or so could focus public attention on capacity to withstand such action; and this could conceivably be prejudicial to the study.

4. I am, in any case, increasingly convinced that there is a higher priority. I would like to see early work done on the

implications of withstanding a telecommunications strike. British Telecom has lived for too long off its ability to push up prices. Last year for example its salary and wage costs rose 31 per cent, double the rate of inflation and far in excess of the growth of the business. I believe the Chairman is prepared to take tough action to reduce current costs by 25 per cent over the next three years but he will need our support. We need to know where we might best give this and what is likely to be involved. The key settlement date is 1 July, and it would therefore be desirable to complete such a study by Easter so that we knew where we stood during the run-up to this year's pay negotiations. If we are limited to a single study therefore, I would like to propose that we look first at telecommunications rather than rail.

5. In due course, as your Private Secretary's letter indicates, we will need to consider other possible candidates. I would hope to put forward some considered suggestions at that stage. But a quick review of the various possibilities does not suggest to me that there is any candidate of more immediate priority than the Telecoms proposal.

6. I am copying this minute to the Home Secretary, to the Secretaries of State for Defence, Industry, Transport and Employment, and to Sir Robert Armstrong and Mr Ibbs.

(G.H.)
11 January 1982