

MS

CONFIDENTIAL

Prime Minister

cc Mr. Whitmore ✓
Mr. Hoskyns
Mr. Gaffin

MR. VEREKER

Kendall has asked to see Lord Soames "in a personal capacity", and this has been arranged for 1030 on Monday. We understand that he does not propose to tell the press about the meeting. You may like to have a word with Lord Soames on ~~Friday~~ the telephone on Sunday about the dispute generally.

CIVIL SERVICE PAY DISPUTE

The following points of interest arose at Mr. Hayhoe's daily monitoring meeting today (chaired by Sir John Herbecq):

Friday, 24 April.

24.4.

a. CSD have received hints that the unions are ready to continue talking. It should become clearer on Monday whether they really are - and if so whether overtly or in secret. Herbecq hoped that Ministers could be restrained for a day or two while the position became clearer. Departments hoped that managers and moderates would be told soon if the unions have not - as it first appeared - slammed the door. This would boost morale.

b. Departments were on the whole unable to report grass roots reaction to the Government's move yesterday. They had all taken steps to notify staff of the Government's position.

c. Action at the Passport Office is now expected for another week. Air Traffic Controllers have voted in a secret ballot for strike action next week, by a small majority. The pattern will become clearer tomorrow.

d. Revenue collection was down this week, but this could partly be the effect of Easter. Treasury now expected a backlog of £2.25 billion by the end of the month. The economic effects continue to give little cause for concern.

e. Unlawful picketing may be taking place at the courts in Bristol. The civil remedies provided in the 1980 Employment Act were unlikely to be of much use to management. The more effective remedy would

I attach a copy of Kendall's letter to Lord Soames declining to resume yesterday's talks later the same day.

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be for the police to enforce the criminal law strictly. Any suggestion of obstruction or intimidation would provide a basis for this. Herbecq thought it important that the facts should be put to Ministers.

f. There was scope for increased use of TRD. Herbecq said that CSD Ministers would not want to restrain any Department from getting on with this.

g. Herbecq referred to the possibility of escalation by the Government if the unions did slam the door. Greatly increased use of TRD might make large numbers of people unable to work. This would raise the question of action to make lay-offs possible. "Floating" the effective settlement date (ie removing any implied commitment to retrospection to 1 April) was another possibility.

h. There was general agreement that some unions - particularly CPSA - were more intent on a higher figure than 7% this year, while others attached more importance to 1982 and the longer term arrangements.

i. MoD said there was some evidence that military opinion, with the AFPRB recommendations looming, was that the Government had treated its civilian employees badly.

j. Today's press coverage had not been very good from the Government's point of view, partly because CSD Ministers had deferred briefing the Press until the unions had responded. This meant that too many reporters got the story of the Government's offer from the union press conference - rather than from Government sources.

What evidence?

24 April 1981

AD
ANDREW DUGUID