

CONFIDENTIAL

Prime Minister

MR LANKESTER

Thurs. evening  
MS

As John Verker suggests,  
I think we may need  
an urgent meeting  
of Ministers. If you agree,  
I will try to fix this  
for Thursday evening.  
or we could try for  
Friday morning.

cc:- Mr Duguid

CIVIL SERVICE INDUSTRIAL ACTION

There has been little discernible change in the pattern of Civil Service industrial action following the Lord President's statement establishing the Megaw Enquiry on Monday. The Inland Revenue report a slight worsening in the operation of its collection offices; but on the other hand there is a slight easing of the situation in the Ministry of Defence, and there have been indications, which may be misleading, that the Passport Officers are thinking of giving up their industrial action. Incidentally the Elsey case, with which Mike Pattison is familiar, comes up in court again tomorrow.

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As you know, the next development is the meeting of the Civil Service unions tomorrow, when they will again consider a call by the CPSA for an all-out strike. Their reaction to that will be partly determined by the success of their fund-raising operation: selective action is expensive for the unions, because they pay 85% of the salaries of those subject to TRD<sup>and</sup> of all those on strike, but they would not of course make up the salaries of those on an all-out strike. There are reports today, almost certainly put about by Bill Kendall, that the fund-raising is going well, but the reported increase from £300 thousand to £500 thousand relates only to one week's income, and would have to be sustained for as long as selective action was to continue.

There does not appear to have been any significant response to the Lord President's hints, which were quite widely reported, about changing the operative date. If the unions decide tomorrow either to continue selective action or to call an all-out strike, I think it is important that the Government lose no time in considering whether there is some substance to these vague threats. The arguments for doing so will be clear: the Government's position will look increasingly weak if it is <sup>not</sup> prepared ~~not~~ to take the action it has suggested, and the worsening Government revenue position makes it desirable to bring matters to a head. But, of course, the risks of escalating the dispute are well understood by Ministers.

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I think, therefore, we would be wise to plan for the possible need for a meeting of the Ministers concerned (apart from the Prime Minister, the Chancellor, the Lord President and Mr Prior) immediately after the COCSU decision is known. In view of the Prime Minister's diary on Friday and next Monday, I suppose this might have to be tomorrow evening. I think we would be unwise to wait until next Tuesday before considering our response. The meeting could usefully also have before it the Treasury's latest assessment of the effect on Government revenue.

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1 July, 1981

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