

Subject



10 DOWNING STREET

cc: As below +  
Messrs. Walters  
Wolfson  
Hoblyn  
Ingham  
Vereker

From the Private Secretary

20 January 1981

The Prime Minister held a meeting this morning to discuss the threat of industrial action in the water industry. In addition to your Secretary of State, the Home Secretary, the Secretary of State for Employment, Mr. King, Mr. Ingham, Mr. Wolfson and Mr. Vereker were also present.

Mr. Heseltine outlined the current state of the pay negotiations. The National Water Council had made an offer of 9.9 per cent on basic rates, which would add 7.9 per cent to earnings. Since this was the amount at which they intended to reach a settlement, it had been a mistake to go to this figure in their initial offer. His Department had kept out of the negotiations, but they had made clear to the Council that the initial offer had been too high. Although they were not balloting their members, the unions were now holding a fairly thorough consultative exercise on whether or not to take industrial action. The result of this would be announced on 3 February, and the likelihood was that the Council's offer would be rejected. In the meantime, the local authority manuals were likely to settle for 7.5 per cent on 27 January. Assuming this happened, the critical period for influencing public opinion against the threat of a water strike was between 27 January and 3 February. There was plenty of good material that could be put out - in particular, the fact that the water manuals who were already paid more than the local authority manuals were being offered a higher percentage figure, and the appalling consequences that would follow from an all-out strike. But it would be preferable if the employers, rather than the DOE, were to undertake the task of putting out this information. Otherwise, the Government would all too easily get caught up in the negotiations and public opinion might move against the Government for not settling the dispute. But it would also be helpful if the Prime Minister, when asked in Question time about the dispute, could give some of the facts and figures.

/Mr. King

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Mr. King added that the Council had not handled the negotiations well. But so far there had been no signs of unofficial action, and there was reason to believe that - although the consultative exercise was in theory about industrial action - in fact many union members regarded it as part of the negotiating process. So it should not necessarily be assumed that strike action would follow the rejection of the offer. Although the employers did not have much room for manoeuvre, they might be able to improve the offer sufficiently to bring about a settlement. It had to be borne in mind that there was a relationship between the water manuals, and the gas and electricity negotiations; and that the unions seemed to be regarding the water manuals' negotiation as the main avenue of attack. On the other hand, from a public relations point of view, the employers had a good deal on their side - and the fact that strike action would affect the water manuals' own families as well as the rest of the community should not be discounted. One point which could be used was the agreement on post-entry trade union membership which the unions had signed and which included a statement that in the event of industrial action every effort should be made to avoid harm to the health of the consumers.

Summing up a brief discussion, the Prime Minister said that they were agreed that the critical period for influencing the outcome of the dispute was likely to be between 27 January and 3 February. The water authorities' area managers should be encouraged to put out all the facts and figures at their disposal during that period about the negotiations and about the consequences of strike action; the DOE should not itself put out this information, but should make sure that the area managers did so. The Government would keep a low profile, but Press Offices should have the facts at their disposal to put out any response to questions; she herself would also give the facts if she had the opportunity in the House of Commons.

I am sending copies of this letter to John Halliday (Home Office), Richard Dykes (Department of Employment), Peter Cash (Office of the Minister for Local Government and Environmental Services), Robin Birch (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

T. P. LANKESTER

D. A. Edmonds, Esq.,  
Department of the Environment.

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