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MR SANDERS

cc Mr Wolfson  
Mr Ingham  
Mr Gow  
Mr Duguid

Water Workers Dispute

At the Prime Minister's meeting on 20 January, it was agreed that the Prime Minister would give the facts about the water workers dispute in the House of Commons if the opportunity arose. We now have the fact sheet prepared by the Department of the Environment, and a clearer picture of where the dispute is heading.

Local authority manual workers are virtually certain to accept the 7½ per cent offer today. On 3 February the water workers unions will announce the result of their consultations. We already know that most unions in most areas have indicated willingness to take industrial action. On 6 February the unions will meet the National Water Council. Since it is now quite widely understood that the contingency arrangements are unlikely to be able to cope with anything more than very limited action, the NWC are likely to increase the offer. By how much it has to be increased to prevent industrial action - or, to put it another way, how much industrial action would follow from a given level of offer - depends largely on the climate of public opinion at the time. Moreover, at stake is not just the water workers settlement, but the much more important (in terms of knock-on costs to the consumers) link with the gas and electricity workers who are known to be regarding the water workers as a test case. If we are to get out of this dispute without too much damage we need media comment on 4 February to be unsympathetic to the water workers unions' case.

It remains to be seen how effective the water authorities area managers will be in rallying public opinion, but there is no doubt that a lead from the Prime Minister will be needed. I think therefore that, if the Prime Minister agrees, you should arrange for a Conservative backbencher to raise the issue in Question Time, perhaps on Thursday of this week (it might be difficult for the Prime Minister to comment next Tuesday, which will fall between the unions' announcement and their meeting with the NWC).

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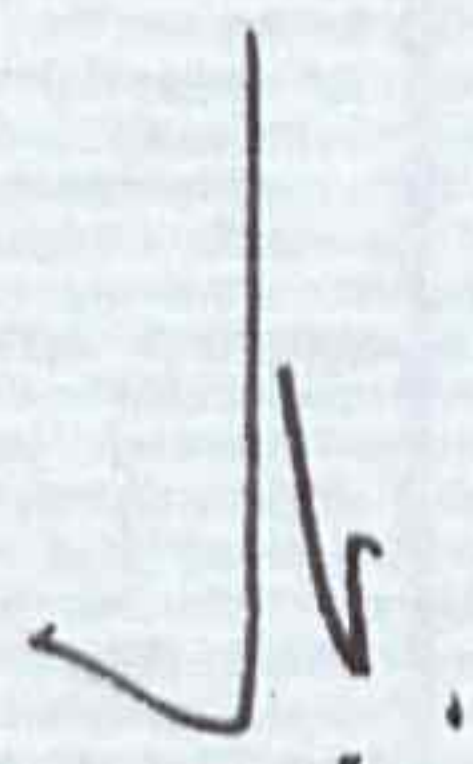
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There are only two points the Prime Minister needs to make:

- (i) In the present climate of moderation in pay settlements it would be astonishing if a group of workers, whose wages were paid by the taxpayer, were prepared to risk the health of the community in pursuit of more than the 7.9 per cent they have been offered.
- (ii) The water workers are far from being a special case - their average gross weekly earnings are £16.70 more than those of the local authority manual workers who have just accepted a rise of 7½ per cent; and over the last two years the water workers have had increases totalling 42.3 per cent when the RPI has increased by only 34.9 per cent.

There are two points the Prime Minister should not make:

- (i) The consumer will pay. In fact, because every 1 per cent on pay means only a quarter of a per cent on charges, a small increase in the offer would not cost the consumer very much.
- (ii) The offer is reasonable compared with other nationalised industries. This is a particularly dangerous approach since the water manuals like to compare themselves with the gas and electricity workers, and the gas workers have already rejected an offer of just over 8 per cent, and the electricity workers have already put in a large, but uncostered, claim.

  
27 January 1981

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