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10 DOWNING STREET

From the Principal Private Secretary

25 March 1981

Dear John,

ECONOMIC EFFECTS OF INDUSTRIAL ACTION

In his minute of 25 February to the Prime Minister the Chancellor of the Exchequer suggested that an official group should be established, centred on the Cabinet Office, to assess the economic significance of particular industrial threats which (because they do not create immediate threats to health and survival) do not come within the remit of the Civil Contingencies Unit (CCU) and, if possible, to identify the pressure points to which any contingency action might be directed. The Prime Minister has now considered this proposal, together with the Secretary of State for Industry's comments of 18 March.

The Prime Minister agrees that this additional work would not be suitable for the CCU, and she understands that the Home Secretary also takes this view.

As the Prime Minister understands it, the present arrangements provide for a decision to be taken at the outset, i.e. when a strike is foreseen as a possibility or is imminent, on which of two main courses should be followed. If it is agreed between the Cabinet Office and the sponsor Department that a particular strike (or prospective strike) does not fall within CCU's purview, because it does not endanger 'supplies and services essential to the life of the community', the lead Department handles the consequences of the strike under its own arrangements, consulting other Departments as necessary but not involving the CCU machinery. This is what happened in the case of the steel strike. Alternatively, if it is agreed that a strike does come within CCU's purview, the sponsor Department still takes the lead in terms of executive responsibility, and almost always sets up an emergency operations room. Its activities are supported by the CCU, which has no executive functions but ensures co-ordination and, as necessary, arranges for collective Ministerial consideration of the problems involved. This is what happened in the case of the firemen's strike. The Prime Minister is satisfied that this approach is right and that as a general rule such situations are best managed by the Department with primary responsibility for the industry concerned.

As to longer term planning for remedial action, the Prime Minister considers that that is better done ad hoc, with the

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Department primarily concerned in the lead and clearly responsible. To the extent that advance planning can be undertaken ahead of the dispute breaking out, it should be; but industries in which disputes occur cover such a wide range, and the circumstances of disputes can vary and change so much, that the Prime Minister believes that preparation is likely to be most effective if it is closely related to the circumstances of specific cases, and that contingency planning which is too hypothetical and advanced is not likely to help very much when the time comes.

The regular reviews of pay claims in the public services, and more generally in the public sector, provide an opportunity for identifying disputes which might be coming, and for Ministers to suggest that advance planning should be put in hand. It is then the responsibility of the Minister in charge of the lead Department to initiate analysis and action of the right kind and in good time.

For these reasons, while she fully agrees with the Chancellor on the importance of effective and comprehensive arrangements to deal with actual and threatened industrial action, the Prime Minister thinks that that can and should be achieved without setting up new central machinery.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Secretary of State for Industry, the Lord President of the Council, the Secretaries of State for Employment, for Scotland, for Wales, for Trade, for Energy, and for Transport and the Attorney General, and to Sir Robert Armstrong.

Yes now,

Anne Whitman.

A J Wiggins Esq.,
H M Treasury.

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