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cc: Mr. Ingham  
Mr. Duguid

2

PRIME MINISTER

Monitoring Report for the Public Trading Sector:  
Contingency Planning in the event of industrial action

Play A

I think you have already seen the latest Public Trading Sector Monitoring Report, and the Chancellor's covering minute of 3 April. The Chancellor refers to the contingency planning in the event of industrial action that has been put in hand. Since the conclusions of that work are unlikely to reach you until after your forthcoming foreign visit, you may wish to know in broad terms what the current assessment is.

There are four public sector groups where agreed pay settlements are not yet in sight: British Rail, London Transport, the Post Office and British Telecom. The principle risk of industrial action arises from the first two, who may for the first time act in unison. British Rail is looking for a settlement in double figures, whereas the BR Board will try and hold it to the 8% pay assumption in the EFL. If there is no compromise, industrial action could take place in May. The contingency unit's preliminary assessment is that the normal BR pattern of limited industrial action could be coped with on the basis of considerable public inconvenience; but that an all-out strike, particularly if accompanied by a strike by London Transport, would rapidly make life intolerable in London and that a higher offer would have to be made. It is not feasible to construct contingency plans to mitigate the effects of an all-out strike.

Although industrial action in the Post Office is also a possibility, since the unions are claiming 20% and have been offered 6%, the contingency unit is inclined to view the prospect with equanimity. In particular, the Post Office counter services are likely to continue, because the sub-post masters are not

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- 2 -

members of the relevant union. A strike would be more than inconvenient only if combined with action in British Telecom; which there is no reason at present to expect.

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