



Prime Minister

INDUSTRIAL ACTION IN THE WATER INDUSTRY

You will recall that at your meeting with a number of colleagues on 21 September you invited the Civil Contingencies Unit, or if appropriate a smaller group within the CCU, to look again at the likely effects of industrial action in the water industry, and at the options for dealing with them; and to report back accordingly.

... 2. For security reasons a smaller group (MISC 61) was formed on a very restricted basis and has produced the attached report. The Secretary of State for the Environment has also reported on the water manuals' pay negotiations in his minute to you of 13 October.

3. The report seems to me to bring out the following essential points:

- a) Most water workers are not militant. They are aware of their responsibility to society and of their potential unpopularity if they overplay their hand. At the same time they are conscious of the power which the indispensability of water gives them; they feel strongly that their pay awards should be fair, ie should maintain their position in the league table; and there is a history of local militants taking unofficial industrial action when exasperated, as they were last year by the long delay in reaching a settlement.
- b) The management would prefer to pay what is necessary to avoid industrial action, since in a capital-intensive industry the wage bill only represents a small part of their costs (4% on wages = 1% on prices). They would like to do this quickly, since they think that last year's delays pushed up the eventual settlement level. The Government have no formal power to stop them; and even informal pressure might be ineffective this year.
- c) Each side has a unilateral right to binding arbitration. There is no predisposition to use this. But either might.
- d) Left to themselves, the two sides are likely to await the miners' settlement and then settle quickly at about 1 or 2% below it, ie perhaps around 8 - 9%.
- e) This sort of settlement would have little knock-on effect. Last year we had the water settlement's influence on the local authority manuals much in mind. This year the advice is that we do not need to.



4. Industrial action is likely to break out locally, not nationally; and its effects will vary with the technicalities of the local water supply system. If it occurs, the attitude of the industry's middle management is likely to be crucial to endurance. If action is unofficial, they are expected to co-operate over remedial measures; if it is official, some and perhaps most of them will be less loyal. With that co-operation limited official action (eg work-to-rule and one-day strikes) and a good deal of unofficial action could be coped with indefinitely by the water authorities. They would hope to cajole the work force into maintaining any really vital link; under the industry's closed shop agreement the unions are obliged to use "their best endeavours to avoid risk of danger to public health". More extensive unofficial action could be withstood for well over a month, with the help of contractors and troops after the first week or two. The public would be inconvenienced in places but not seriously at risk. No one knows whether extensive unofficial action could be withstood for longer than that; or whether stepped-up official action could be withstood at all. The limiting factors would be the accumulation of break-downs in the systems and the fact that neither contractors nor troops would be much use if middle managers were not available to direct them. The biggest danger to society would be lack of water facilities for flushing lavatories (at home, in institutions and at work); but the threat to power stations, oil refineries and food production could also become serious.

5. Overall, the two most telling factors on endurance are: that we could withstand more intense industrial action than any Government has hitherto contemplated; but that neither side of the industry believe that serious, systematic and sustained action could be withstood for very long.

6. Against this background, and very much subject to the views of the Secretary of State for the Environment as lead Minister, I suggest that we need to ask ourselves the following questions:

- i. Are we prepared to contemplate a major confrontation including the use of troops if required?
- ii. If the effects of such a confrontation on society became progressively less tolerable, would public anger focus on the Government or on the strikers?

Questions of handling and of wider objectives no doubt also arise but are primarily for the Secretary of State for the Environment and the Chancellor of the Exchequer.

7. The employers are meeting to discuss their joint approach to the unions next Wednesday (28 October). So we need to decide our attitude quickly.

SECRET AND PERSONAL



8. Copies of this minute and the report go to the Chancellor of the Exchequer, the Lord President, the Secretaries of State for Northern Ireland, Defence, Environment, Scotland, Wales, Industry, Social Services, Energy and Employment and the Minister of Agriculture; and to Sir Robert Armstrong and Mr Ibbs.

*h.w.*

22 October 1981

SECRET AND PERSONAL