

SECRET

Policy Unit

23 October 1981

Prime Minister

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Content merely to note, and to have no meeting (Home Secretary was envisaging one soon), unless the negotiation seems headed for double figures? Yes no

Industrial Action in the Water Industry

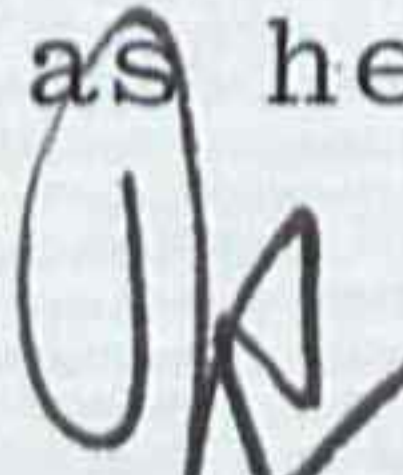
MUS 23/10

When you held your meeting to discuss the CPRS report on pay, you challenged Michael Heseltine's assumption that we could not take on the water workers. It was agreed that a small group of officials would look at the prospects for withstanding a water strike, in the same way that they did on coal. Willie Whitelaw is now transmitting to you, under cover of his attached note, the report of that group of officials.

John Vereker, who participated in the work of the group, tells me that throughout the drafting of the report it was difficult to persuade Michael Heseltine's officials that our previously held assumptions about the industrial muscle of the water workers might be invalid. The report is therefore a compromise: but the main point does emerge clearly - that as long as white collar management continues to work normally, we can survive industrial action in the water industry for much longer than we have hitherto assumed, because the water workers will not in practice call an all-out nationwide strike.

The group did agree, however, that any form of industrial action this year is unlikely, because both sides are probably willing to settle in high single figures. So, since our ability to persuade Robert Marshall to go for something significantly lower than that is negligible, there is no need to focus on the questions Willie asks in paragraph 6 of his note unless it looks as if the negotiations are starting to break down.

We therefore suggest that you do not at this stage need to read the official report; and that there is no need to call a meeting to discuss it unless Michael Heseltine advises that the negotiations seem to be heading for a settlement in double figures. Michael will be putting in his own comments on the report anyway, which will give you an opportunity to let him know that he should use such influence as he has to rein back Robert Marshall.


JOHN HOSKYNs

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