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Ref. A083/0209

PRIME MINISTER

Cabinet: Water Pay Dispute

The Secretary of State for the Environment and the Home Secretary will wish to report to the Cabinet on the latest position of the dispute in the water industry and on the measures which the Civil Contingencies Unit (CCU) has in hand following its meeting on Tuesday 18 January.

MAIN ISSUES

2. The main questions for consideration at this stage seem to be:
 - (a) the development of the pay negotiations over the next few days;
 - (b) the likely effects of industrial action;
 - (c) contingency measures, particularly the use of Servicemen; and
 - (d) the Government's public stance.

The Pay Negotiations

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3. As reported in the minute to you of 14 January from the Secretary of State for the Environment, the water employers' 4 per cent offer was rejected by the trades unions following consultations with their memberships. The options which the employers have agreed with the Secretary of State are:-

- (a) to stand firm on their offer of 4 per cent and to press the trades unions to accept arbitration; or
- (b) to increase their 4 per cent offer by $\frac{1}{2}$ per cent or $\frac{3}{4}$ per cent, provided that this leads to a settlement; or
- (c) to offer up to 5½ per cent over 16 months (equivalent to 4½ per cent on an annual basis) again provided that this leads to a settlement.

4. The trades unions' claim is for a link with the upper quartile level of male manual workers' earnings (equivalent to about 15-20 per cent), to bring water industry pay into line with that in the gas and electricity supply industries. They have ruled out arbitration, although the agreement provides for unilateral access with the outcome binding on the parties, on the grounds that there is still scope for further negotiation,

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which should first be exploited; and the unions have made clear that the offer would first have to be increased to 6 per cent before they would be prepared to accept arbitration.

5. The present position is that the National Water Council (NWC) has formally requested mediation by the Advisory, Conciliation and Arbitration Service (ACAS) and both sides had separate talks with ACAS on Tuesday and Wednesday. Meanwhile the trades unions have banned overtime and emergency work outside normal hours from midnight on Tuesday; and have called an all-out strike from midnight on Sunday 23 January. The unions have, however, indicated their intention to avoid hardship and to "use their best endeavours to avoid a risk of danger to public health", as the industry's closed shop agreement stipulates.

6. The employers' negotiating team has apparently let it be known through ACAS that the offer might be improved slightly (ie 3(b) above); but they intend to float the idea of a 16-month offer (3(c) above) only at a late stage. However, the Chairmen of the Regional Water Authorities and private water companies are apparently meeting on Friday, and there are signs that a substantial number will press for a significantly increased offer in order to avoid a strike.

7. The pay negotiations relate only to England and Wales. But the assessment in CCU was that a strike would immediately spread to Northern Ireland; and the Scottish waterworkers have already said that they will strike to show solidarity with their counterparts in England and Wales, even although they are local authority employees and negotiate separately (although this normally leads to an increase broadly similar to that of the English and Welsh waterworkers).

The Effects of Industrial Action

8. The effects of an all-out strike in the water industry are potentially very serious but are difficult to predict. Substantial parts of the system operate automatically and will continue to function until there is a breakdown which the combined efforts of senior management in the industry, outside contractors and

Servicemen cannot rectify. In other areas, operations are labour-intensive and will therefore be more vulnerable, although the trades unions have undertaken to avoid serious hardship or dangers to public health and to follow the guidelines drawn up by the TUC concerning the maintenance of emergency service during strikes. The most likely scenario is a gradual impact on water supplies and quality resulting from the progressive effect of minor failures which have not been quickly rectified. Depending on the incidence of breakdowns and the ability to repair them quickly some localities could well face severe problems quite quickly.

Contingency Measures

9. The plans for the use of Servicemen have two main elements, viz:

- (a) the deployment of some 8,000 Servicemen to assist with the maintenance by water authorities of basic services; and
- (b) the creation of four mobile emergency repair teams and two construction teams to assist with the repair of major emergencies, such as burst water mains or aqueducts.

The CCU at its meeting on Tuesday evening agreed that the mobile emergency repair teams should be operational from midnight on Sunday and that the main body of Servicemen should be deployed by midnight on Monday. Training and familiarisation will take up to three days. By next Friday the full deployment of Servicemen should be completely in place, although many will be fully operational well before then.

10. The fact that the Government is making contingency preparations to use Servicemen is already publicly known, and has provoked little reaction. However, the timing of the actual use of troops will require very careful consideration. Once they become involved the chances are that the dispute will escalate seriously and that co-operation by middle and senior management, which will be important in the maintenance of even basic services, will be considerably reduced. The CCU therefore decided that it would wish to meet to consider these questions in detail before

agreeing to any particular request for service assistance. The Unit will in any case be meeting on Monday afternoon to review the situation.

11. The Secretary of State for the Environment told the CCU on Tuesday evening that he was confident that water industry management would continue to cope for some time, principally by calling in outside contractors (which are already extensively used in many parts of the industry) and by pressurising the strikers to honour their undertaking and to return to work to tackle any serious emergencies that might arise. He did not himself expect early pressure for service assistance, since the employers were well aware that this would make the dispute much more difficult to resolve.

The Government's Public Stance

12. To a very large extent withstanding a strike in the water industry is dependent on successfully persuading the waterworkers of the need to avoid causing hardship or endangering health; the more the waterworkers are prepared to tackle the most serious emergencies, the longer the dispute can probably be withstood, although a lengthy period of minimal maintenance could adversely affect the continuation of even basic services. Public pressure designed to inhibit the waterworkers from taking the more extreme forms of industrial action will therefore be a key factor in the dispute.

13. There are also telling points to be made about the stance of the trades unions. They have refused to countenance a reference to arbitration, even although the arbitration agreement provides for unilateral access (without any qualification on the circumstances in which this right can be exercised) and for the outcome to be binding on both parties. Pay increases of 4½ per cent have already been accepted by ancillary workers in the National Health Service and (although we cannot yet publicly assume this) may be accepted shortly by local government manual workers in England and Wales. With inflation falling, and the generality of pay settlements in the region 5-8 per cent, the waterworkers' claim is plainly unrealistic.

14. So far, the water industry employers have not deployed these arguments publicly with as much force as they might. The Secretary of State for the Environment therefore has it in mind to begin from about the end of this week to seek to get some of these points across to the general public; he is already encouraging the water industry employers to make better efforts in this direction. No doubt the Cabinet will agree that every effort should be made to demonstrate the unreasonableness of the water industry trade unions. There is, however, the danger, if the Government itself adopts too high a public profile, that the more militant elements of the water industry trade unions will seek to politicise the dispute.

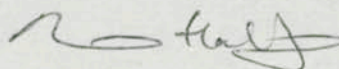
HANDLING

15. You will want to invite the Secretaries of State for the Environment and Employment to report on the latest developments in the pay negotiations; and the Home Secretary to summarise the measures in hand in the CCU.

CONCLUSIONS

16. Depending on the discussion, you may wish to reach conclusions on the following:

- (i) Whether any guidance should be given to the Secretary of State for the Environment in his further contacts with the water industry employers.
- (ii) Whether the Cabinet is content with the arrangements for the use of Servicemen drawn up by the Civil Contingencies Unit.
- (iii) What the Government's public stance should be.


Approved by
ROBERT ARMSTRONG
and signed in his absence.

19 January 1983

PRIME MINISTER

Water Workers

I attach notes by John Vereker and by Bernard Ingham in preparation for the discussion at Cabinet tomorrow.

Bernard and I have worked out the following line, which you might wish to take at Question Time tomorrow:-

"There is no justification whatever for the water workers even to contemplate the kind of disruption they could inflict upon the community, particularly in view of the following facts:

- i) The pay offer is well in line with what other groups are receiving at present.
- ii) These are not low paid workers - their average earnings are almost precisely the same as national average earnings.
- iii) In the last three years they have had either comparable or more generous settlements than local government, coal, gas and electricity workers have received.
- iv) Any strike would be in breach of their contractual obligation to solve disputes through arbitration.

To repeat, there is no justification for a strike. The British public would not understand or accept any disruption in water supplies or sewerage services inflicted upon it in pursuance of this unjustified pay claim."

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19 January 1983

PRIME MINISTER

cc Mr Mount
Mr Ingham

CABINET: THE WATER WORKERS' DISPUTE

The Home Secretary and Mr King will be reporting to Cabinet tomorrow on the preparations for a water workers' strike (at present planned to begin at midnight on Monday 24 January), and on the prospects for a negotiated settlement.

As you know from the work of the Official Group (MISC 61) which looked at the prospects for withstanding a water strike, there are many uncertainties about our ability to cope. Will the supervisors co-operate in trying to maintain basic services? Will the unions stand by their undertaking to provide emergency cover? Will the troops prove effective in dealing with emergencies? How would the public react to interruptions in the water supply? Unlike a coal strike, where there is no public impact until electricity supplies are cut, or a rail strike, where inconvenience is cumulative, the effect of a water workers' strike could be sudden in particular places. So a water strike is best avoided.

The line Mr King is now taking with the National Water Council (who, following Sir Robert Marshall's departure, are proving compliant) is tough, in fact tougher than it was a few weeks ago. He has said that the only options are to stand on the 4% offer and get ACAS to arrange arbitration, or to make a small increase (up to $\frac{3}{4}$ %) for a settlement. Discussions are continuing at ACAS, but assuming that they show that neither of these two options is feasible, I think Mr King should tell the NWC that they can go to $4\frac{1}{2}$ % or so and arbitration. The $4\frac{1}{2}$ % could be either straightforward, or through the 16 month settlement Mr King has already suggested to you (but not yet to the NWC). I doubt if even that much of a concession will bring about an early settlement, but there are several good reasons for making it. It would show genuine negotiating flexibility,

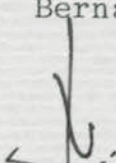
making it harder for the unions to oppose arbitration; it would make it more likely that the supervisors would co-operate; it would make it less likely that the NWC itself would crack - some regional Chairmen are already wavering; and it would probably be widely regarded as "fair", ie what the NHS and the local authority manuals are getting.

If nonetheless it comes to a strike, public relations will be absolutely crucial. The unions must be seen to be clearly in the wrong. Although we can probably leave the NWC to cope with advising the public on what to do in the event of an interruption in the water supply, they cannot be relied upon when it comes to presenting their case against the unions. The Government will need to run a co-ordinated campaign to ensure that all the points which need to be made are made by the right people on the right occasions. I have discussed this with Bernard, and we are agreed that Mr King should be invited to put round a paper to his colleagues by the weekend containing a detailed presentational plan. Bernard has prepared the attached checklist of what it ought to contain. He has considered whether he ought to stay in London on Friday, but has concluded that it may be more useful for him to accompany you in Yorkshire, since you may well be asked for a comment.

Summary

So we recommend that

- (i) Mr King should tell the NWC that they can raise the offer to 4½% (or 6% over 16 months) without preconditions; and
- (ii) Mr King should circulate to his colleagues before the weekend detailed proposals for handling the public relations aspects of the dispute. You may want to give him a copy of Bernard's checklist.


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CHECKLIST FOR PUBLIC RELATIONS ACTION

To secure an acceptable settlement we need now - in advance of any strike - to:

- show a quiet determination;
- create an impression of preparedness;
- demonstrate our reasonableness in the face of intransigence;
- ensure we and the employers speak with one voice.

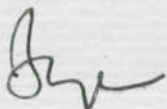
If this overall stance is to come over strongly we need:

- a simple speaking note for general use which gets over the fairness of the Government's offer, the reasonableness of waterworkers' pay, the unreasonableness of their trying to avoid arbitration, and an agreed line on contingency arrangements, including use of troops;
- Ministers (and Backbenchers) to get the message over in newspapers, on radio and on television, locally as well as nationally;
- an effective campaign by the Water Authorities (who must be bullied into discharging this aspect of their responsibilities) explaining to people whether they need to save water and what to do if supplies are interrupted; such an effort on the part of the Water Authorities should have the effect of creating an impression of "employer" unity.

So the public relations plan needs to give guidance on:

- the desired action by Ministers, including some outside D/Environment;
- the organisation of supportive Backbenchers, to put over the message in their constituencies;
- the willingness and state of readiness of Water Authorities.

I cannot stress too strongly the need for the Government and Water Authorities to act this weekend in advance of any strike. This most certainly does not mean being confrontational or provocative. But it does mean being seen and heard quietly explaining our reasonable case, our firmness in the face of intransigence and our preparedness.



B. INGHAM

19 January 1983

MR INGHAMcc Mr Scholar ✓
Mr Mount
Mr WolfsonTHE WATER WORKERS' DISPUTE

You and the other recipients may find it helpful to have this note of the main points arising from the CCU meeting yesterday evening. The Home Secretary and Mr King will both be reporting to Cabinet tomorrow, of which more below.

The Negotiations

Mr King does not see much prospect of an early conclusion to the ACAS negotiations. The unions still have no intention of acquiescing in arbitration - but the 16 month offer has not yet been made to them. The G & M is looking to re-establish its position vis-a-vis NUPE, who have been poaching its members. Some industrial action is now probable.

The Effect of Industrial Action

The overtime ban will have little visible effect, given the unions' undertaking to continue to provide emergency cover. Repair and maintenance will suffer a bit. The effectiveness of the strike itself will depend largely on the extent to which it is supported by the supervisory staff. There will certainly be delay in dealing with the day to day problems of burst pipes and collapsed sewers. As a reference point, there is on average one serious burst water main each day, and 70 or so minor ones; but even without a strike it often takes several days to repair them. As you know, sewers themselves (as distinct from sewage treatment) are generally the responsibility of local authority manual workers.

Contingency Plans

The first line of defence is the water industry itself. The unions' Closed Shop Agreement states that "every effort will be made to avoid damage to public health", so a combination of

emergency cover and assistance from supervisors could hold the position for some time in many areas. The second line of defence is private contractors, who would be brought in as necessary (and feasible) by water authorities.

The third line of defence is service assistance - operations Keelman and Footway (Northern Ireland). The troops involved were put on notice on Monday night, so that provided they get 24 hours notice of the need for their deployment, they will be able to start deploying as from midnight on Monday 24 January. It would then take a further three days to build up the full effectiveness, but it is unlikely that they would be needed in all areas from the very beginning, and Mr Heseltine has assured the CCU that the mobile emergency teams can be made available at a few hours notice anyway. This deployment will of course become known fairly soon. The purpose of operations Keelman and Footway is to maintain basic water services, but all of us who have been engaged in preparations for a water strike are acutely aware that basic may mean very basic indeed; and that the co-operation of supervisors is essential to the effectiveness of the services. At Mr Tebbit's suggestion it has been agreed that the troops will actually be used (rather than merely deployed) only in circumstances to be agreed at the time by Ministers, because of the need to gauge the reactions of the unions to the intervention of the services. The Scottish Office report that their water workers, although deployed by local authorities, are expected to act in solidarity with their English and Welsh counterparts. The CCU will meet again on Monday at 2.15 pm to review the position.

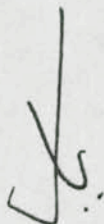
Public Relations

The usual division of labour was agreed, whereby the Department of the Environment will take the lead in the necessary presentation, but No 10 will see to it that there is proper co-ordination among the departments concerned. Mr King said that the water authorities had prepared detailed plans for advising the public on how to cope, ie whether restrictions on water use were desirable, and on what to do if the supply was interrupted. There was no discussion of that division of labour.

Comment

If we get into a national water strike, it is absolutely essential that the unions are ^{that} clearly and widely seen to be in the wrong. Mr King understands/very well, considers that the unions' case is weak and that they will be very unpopular. He intends to start to put a Government case across as from tomorrow. And he has asked the NWC to appoint as their spokesman not their new Chairman (Sir William Dugdale) but Mr Len Hill, ex-NUR, and Chairman of the Negotiating Committee.

The Home Secretary had a word with me this morning about the presentational aspects. He said he was concerned lest the presentational case should be neglected. I said that the problem was that the National Water Council had a poor track record: it might cope with telling the public about the physical arrangements, but it was no good when it came to wrong-footing the unions. I said that we would be advising the Prime Minister to raise this in Cabinet, and to ask Mr King to provide before the Weekend a detailed presentational plan, explaining who would do what and when, and on the basis of what briefing. Otherwise I think this is going to get neglected. I hope you agree: if so, I will brief the Prime Minister accordingly. I would of course be happy to prepare a list of the kind of points Ministers ought to be making about the dispute - but it would be far better if Mr King's Department would take this on themselves. This may come up again at Monday's meeting of the CCU, in which case you probably ought to go to it if you can.



19 January 1983