

PRIME MINISTER

We must discuss early Monday a.m. prior to the 7.30 meeting. I understand that is the intention

cc: Mr. Scholar
Mr. Mount
Mr. Ingham

WATER STRIKE

Mr. King's Office told us this evening that the Chairman of the National Water Council has denied the story that appeared on the tapes that they had formally asked for arbitration. Nonetheless, it cannot be long before they do, and I do not see how either we or they can explain to the public why that is not being done. The difficulty will be getting the unions to accept it. The unions would have to agree that - in terms of the agreement reached at ACAS on 23 January - the two parties have reached "the last resort". The unions would also have to agree on the arbitrator: it is unlikely that they would accept Mr. Buchanan, since he has already ruled out upper quartile equivalence.

I think that there are four main issues which it would be useful to cover at your meeting tomorrow:-

- (i) Although we do get (rather spasmodic) situation reports from the Regional Water Authorities via the NWC and Mr. King, they are confined to the physical consequences of the strike. The Government has throughout been badly informed about what the employers are thinking. That may reflect the NWC's own disarray: but Mr. King's only report was the one he made at Cabinet on Thursday. It is essential that the Government have a clear understanding of the way in which information on the NWC and in the Regional Water Authorities on the handling of the dispute is moving. I think Mr. King should be invited to send a regular written report to his colleagues.

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- (ii) If arbitration fails to get under way, the Government must encourage the National Water Council not to increase their offer. The NWC has described it as final and the unions will be in breach of their agreement. The Government and the NWC must have agreed between them a clear strategy: arbitration, not a further series of pay increases, is the way out of the strike. There is plenty of room for imaginative drafting, especially on the productivity provisions.
- (iii) The CCU is right not to deploy the Service manpower until it is absolutely necessary, and would be widely regarded as such. But our earlier assumption that the strike would be short and dangerous is now looking uncertain: it may be long and cumulative. It certainly seems likely to go on until Wednesday, because that is when the unions next meet. A long strike may offer different options for our withstanding strategy, and those should now be examined. That work should not be left to the CCU, which is low level, leaky and cumbersome. MISC 61, the Official Group, under Peter Gregson's Chairmanship, which looked at withstanding a water strike last year should be asked to report urgently on the possibilities. We must consider seriously the possibility of the NWC's giving notice that those who do not report for work on a particular day will not be reinstated, and recruiting new manual labour, if that could be done while retaining the loyalty of the supervisors.
- (iv) The public presentation is going a little better, but does not yet amount to a concerted effort: Mr. Tebbit's intervention, for instance, was, I think, unexpected. Mr. King's profile is not yet a high one, and the NWC themselves are very low key and have had virtually no effect on their own employees. Under the circumstances, public opinion is holding up remarkably well. But it will not do so if the
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situation deteriorates rapidly, for instance as a result of bad weather. I have discussed this this evening with Bernard, and we are agreed that the time has come for him to be charged with co-ordinating the whole effort, in consultation, of course, with the Scottish Office, the Welsh Office, and the Department of the Environment.



J.V.

30 January 1983