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MR SCHOLAR

cc Sir Robert Armstrong
Mr Buckley
Brigadier Budd

BT: INDUSTRIAL ACTION

The Prime Minister may find it helpful to have comments on the following points arising out of the Secretary of State for Trade and Industry's minute of 28 September:

- with memo*
- i. What is in practice likely to happen?
 - ii. Is BT being sensible?
 - iii. Would legal action be helpful, and should the Government encourage or discourage it?
 - iv. What can be done to mitigate the effects of the industrial action?

Most of the information on i., ii., and iii. arises from a meeting which Sir George Jefferson and Mr Michael Bett, BT's Personnel Director, had with the Secretary of State for Employment and his officials on 28 September.

What is likely to happen?

2. BT's counter measures - sending home engineers who are not prepared to carry out instructions - are thought likely to lead to a crunch with the Post Office Engineers' Union (POEU) towards the end of next week, ie around 6 October. The numbers sent home may increase by mid-October to about 5,000. Sending the men home will mean that the disruption to BT's normal engineering work will be more widespread than would result from the targetted action planned by the POEU. The effects of the disruption depend

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on the number of breakdowns and this in turn depends on how old-fashioned the equipment is. Much of the equipment in Fleet Street, the City and the West End requires considerable maintenance. By late October therefore there could be widespread disruption to business communications in central London. It will then be a question of BT's seeing this through until the increased number of engineers sent home drains the POEU's strike fund and makes the action so unpopular with the rank and file that it has to be called off.

Is BT being sensible?

3. Mr Tebbit's view and that of his officials is that BT is right to proceed in this way. The matters about which the industrial action has been called - Mercury interconnection and privatisation - are not negotiable. It would be evidence of weak management not to send home engineers who refuse to carry out instructions. BT would have more to lose than to gain in the market place by seeking to defer the crunch. The Department of Employment also share Mr Bett's judgement that a resolute management response now has a good chance of convincing the rank and file that industrial action against privatisation and the Mercury interconnection will be ineffective and pointless.

Legal action

4. BT have had legal advice discouraging them from going to the Courts. Mercury, or Mercury's shareholders, would have a better chance of success but there are some doubts in their case also. A firm which had no connection with the issues in dispute and was suffering damages as a result would have the best chance of success. The likely effect of a successful legal action on the course of the dispute is a matter of judgement. BT think that the POEU would abide by a decision of the Courts. On the other hand there is always the danger that

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Court action would provide the militants with a more emotive cause for rallying support. Mr Tebbit declined to be drawn into commenting on these matters. It seems best that the Government should avoid appearing either to encourage or discourage legal action.

Mitigating the effects

5. The first line of defence in mitigating the effects of the dispute is for BT managers to do the work which the engineers refuse to carry out, and the rest of their work when they have been sent home. Experience in the Civil Service and water disputes suggests that management substitution can often be more effective than had been predicted earlier. BT have every incentive to counter the disruption as successfully as possible so as to keep the goodwill of their customers. The judgement at present is however that, despite their best efforts, considerable disruption will occur progressively during October and November. BT will make efforts through the CBI and in other ways to promote an understanding attitude on the part of business customers affected and to discourage public pressure of a kind which might play into the hands of the unions.

6. The communications most essential to the Government and to the life of the community will be safeguarded, so far as possible, through the priority scheme already laid down.

Following the work done by MISC 69, the Central Computer and Telecommunications Agency (CCTA) wrote to all Departments on 17 June telling them to get in touch with their local telephone managers to notify their up-to-date priority requirements, so that BT can use available resources to sustain the most essential links. Departments have also recently reviewed their contingency plans for coping with disruption to telecommunications, for example by adopting alternative methods of making payments. The CCTA is today

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writing to Departments alerting them to the increasing risk of disruption from next week onwards. There is at present no action for the Civil Contingencies Unit, but, as Deputy Chairman, I shall keep the situation under review and advise the Home Secretary accordingly.

PLG

P L GREGSON

30 September 1983