

SUBJECT

cc Kraster



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From the Principal Private Secretary

23 February, 1981

cc *Wojan*
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MS
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Saxden

Dear David,

Water Workers Dispute

The Prime Minister held a meeting with Mr Heseltine and Mr King this afternoon to discuss the water workers pay dispute. Sir Robert Armstrong and Robert Wade-Gery were also present.

Mr Heseltine said that there was no doubt that Sir Robert Marshall, Chairman of the National Water Council, was now prepared to increase the NWC's "final" offer from 10% to at least 11%, and possibly even 12%. But in view of the way the negotiations had gone so far, there could be no certainty that Sir Robert Marshall would achieve a settlement even at this level of offer. At present there were no plans for the employers and the unions to meet for formal negotiations, but Sir Robert Marshall would be seeing the national officers of the unions concerned this evening.

Mr King said that Sir Robert Marshall had told him on Thursday of last week that although the GMWU were opposed to the latest offer, NUPE might accept it, but it was now clear that NUPE would not. Sir Robert Marshall hoped now to achieve a settlement at 11%, but that would be difficult because the unions had made it clear that they expected another 2½% in the form of the consolidation of their £5 bonus. Mr King added that he had made it clear to Sir Robert Marshall that the Government would be extremely concerned if the settlement went as high as 12%.

Mr Heseltine said that the issue was whether the Government should stand back and let the NWC attempt to settle at **12% or less**, or intensify the pressure on Sir Robert Marshall to stand firm.

The Prime Minister asked what the consequences would be of a strike. In discussion it was agreed that there was great uncertainty as to what form a strike might take: a work to rule or an overtime ban would not be too difficult to cope with, but it was possible that the unions might, for instance, select an area for an **all-out** exemplary strike. The Armed Forces could, under the contingency arrangements, help to maintain the water system, but only if the **supervisory staff** assisted. *On the other hand, the danger of industrial action should perhaps not be exaggerated: it should be possible to find retired staff or private contractors who could operate the system and in any case the unions should, as in the gas industry, be very reluctant indeed to take action which would put a risk not only the community in general but also their own families.*

/Summing up

Summing up the discussion, the Prime Minister said that it would be highly undesirable for the NWC to end up offering 12% without achieving a settlement; but, in view of the contacts that had already been made with Sir Robert Marshall, it would now be wrong for the Government to intervene further. In particular, a move by the Government at this stage might be read as a reaction from last week's negotiations with the miners. No further special steps should be taken to achieve favourable publicity in this dispute, and if it were raised with her during Question Time she would take the line that there were many who would be grateful for a secure job and an offer of a 10% pay increase. There was no need to take decisions yet either about a declaration of an emergency or special public relations measures in the event of a strike.

I am sending copies of this letter to the Private Secretaries to members of E, to the Private Secretaries to the Secretaries of State for Transport, Scotland and Wales, and to David Wright (Cabinet Office).

Yours sincerely,

Alfred Whittam.