



PRIME MINISTER

Prime Minister (2)

To note, together with Mr Gregson's comments at Flag A, Policy Unit have also commented at Flag B.

MS

AT

30/9

BT PRIVATISATION AND MERCURY POEU ACTION

Kenneth Baker met Sir George Jefferson and Sir Michael Edwardes to consider the industrial relations situation in the wake of the POEU Special Conference on 18 September.

2 The Conference endorsed a package of action against Mercury interconnection with BT and privatisation and both Sir George and Sir Michael are now expecting some escalation in action on interconnection in the City area and possibly some action against privatisation in the Westminster area.

3 BT have decided to take firm counter-measures - that is, send striking engineers home and carry out interconnection via management - even if this leads to more serious confrontation than occurred before the Election. Sir Michael (who has been in touch with Sir George) has taken Counsel's advice and is prepared to issue an injunction against the Union. He feels that in the current climate Mercury cannot afford to be seen sitting on its hands.

4 The BT strategy is to exploit the deep differences in the Union between the broad left majority on the NEC and the



Mainstream majority within the overall membership, which gained a tactical success at the Conference on the issue of Mr John Golding despite NEC opposition. The more activists sent home, the greater the drain on the strike fund which has been generally unpopular, and the greater the strain between the NEC and on the whole the moderates who form the bedrock of the Union.

5 This is a higher risk strategy and it could well lead to some disruption in the City and the banking community in particular but I believe we must steel ourselves to give Sir George a chance to draw out the activists before the reintroduction of the Bill and to demonstrate to them that they cannot prevent the implementation of BT's agreement with Mercury. If Sir George succeeds, there may well be a groundswell against the broad left position at the recall of the POEU Annual Conference in November.

6 A vital weapon against the Union activists would be to ensure the widest possible employee shareholding. We are discussing a package with the Treasury which we believe will achieve this.

7 We may well be moving into choppy waters over the next few weeks and there could well be some business pressure for some concessions to the Union to buy a truce. I believe that the Government should continue to maintain a public silence, as we



did before the Election and treat it as a dispute between BT and
its workforce.

8 I am copying this to the Chancellor of the Exchequer, the
Home Secretary, the Secretary of State for Employment and Sir
Robert Armstrong.

CP.

C P

28 September 1983

Department of Trade and Industry

Post + Telecom Future Pt 7



28 SEP 1985

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COOPERATIVE