

27 March 1981

Policy Unit

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PRIME MINISTER

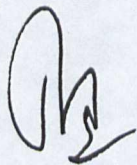
LESSONS OF THE NUM STRIKE THREAT

Last year, at your request, we produced a note (9 May 1980) on lessons learned from the steel strike. The attached note draws several parallels between that event and the recent threat of a miners' strike. Its main emphasis is on the need to prevent such confrontations or prepare for them where necessary.

This note may appear critical of David Howell; that is not its purpose. Our sole aim is to try and learn lessons for the future.

You are due to discuss future work on how we might improve our handling of the nationalised industries with Geoffrey, Keith, David, Norman Fowler and Robin Ibbs next week. We hope this note provides some useful background. In view of the risk of misinterpretation, I am sending personal copies to Geoffrey, Robin, and Sir Robert Armstrong only.

*on
Tuesday
1.7*



JOHN HOSKYNS

LESSONS OF THE NUM STRIKE THREAT

1. It was clear last July that our financial strategy for coal had to be abandoned; modified; or pushed through against NUM resistance. We argued then that we had to devise a strategy to achieve our objectives. D/Energy seem to have left this to the NCB.
2. Even before the Election, it was clear to anyone that the NUM posed a serious threat to this Government: we always needed a strategy to cope with them. The Policy Unit had advised this in December 1979 and April 1980. We failed to copy these earlier notes to David Howell; in July we circulated our note to E.
3. Meanwhile, the NUM militants clearly did have a strategy. They have now won a major battle to relax financial discipline, weaken the Government's authority, assert their power and limit future competition from imports. Our own trade union contacts tell us that the NUM militants had been preparing for such an opportunity for 9 months.

BSC Parallel

4. Keith Joseph first set financial targets for BSC in July 1979. It was increasingly clear as December approached that these could not be met without a nil pay increase and large redundancies. But it was clear that this combination would lead to a strike which would both weaken BSC and cost a great deal of money. Our original objectives were no longer achievable, but we 'stood firm' instead of attempting to seek the best achievable solution. This problem too was left in the hands of the BSC Board, who apparently did not feel able to approach Ministers to discuss it. The result was a very expensive strike, with a higher pay settlement and much larger losses than were really necessary.

Relationships

5. In both cases, the Boards faced a rapidly deteriorating position which made their financial objectives increasingly unrealistic.

/But instead

But instead of working with them to produce the best available response to these changes, we stuck blindly to our guns and ended up paying much more. Why?

6. The answer must lie in the existing personalities and the relationships between them. Either the NI Chairmen and Boards are unable to see the problem; or else unwilling to discuss it frankly with their sponsor Departments; or Departments are unwilling to bring these problems forward to colleagues - which means the Treasury and the Prime Minister.

7. We are not suggesting that Ministers should be so flexible that BSC or NCB need only explain their problems in order to be given further finance. But the policy of laying down firm targets and refusing to listen to "excuses" has been taken too far. The proof of this is that in both cases we ended up spending more than we had to. Running a business is not a simple parade-ground activity, a matter of procedure and obedience to orders. It is real war - a world of change, probabilities, uncertainties and risks.

Events in 1981

8. We do not know the details of all contacts between Department of Energy and the NCB. But on 15 September 1980, E Committee recognised that more generous redundancy terms would be needed if the NCB were to carry out an enhanced closure rate.

9. In January, NCB put specific proposals for enhanced redundancy terms to Department of Energy. At first, NCB hoped to break the news of closures bit by bit. Later a national meeting with the unions on 10 February was conceded. At that stage, it should have been clear that NCB would need advance approval of the redundancy package if they were to have any hope of selling the closures. Ezra asked for this, but David Howell told him he would have to wait until late February. Why did Energy, or Treasury, or E not realise that the carrot of better redundancy terms had to be available when the stick of closures was being raised? Why were Ministers pretending that we could treat redundancy "concessions" as a separate matter, while we could insist on closures?

10. If Government had given the NCB some negotiating flexibility - on redundancy terms and perhaps some other issues - the NUM might have been less able to mobilise such solid support. In fact, we gave them nothing. Then we ended up having to concede nearly everything.

11. On 13 February, David Howell still thought these issues could wait until E Committee on 24 February, with a Tripartite meeting afterwards. On 16 February, the date of the Tripartite discussion was advanced to 23 February. The next day the strike was gathering such momentum that it had to be advanced for a second time. From then on, the NUM knew they had won.

Were we prepared for a strike threat?

12. It has been suggested that Department of Energy always knew a confrontation with the miners was inevitable. But David Howell's minute of 27 ^{January} ~~February~~ did not say he was prepared for one (though it did refer to the possibility). Is it seriously suggested that Energy knew a national strike was likely and was prepared for it? In that case, why had we not raised the level of stocks at CEGB premises? There was plenty of coal available. What was the stock level of (equally vital) ancillary materials?

13. Were Energy going to fight this battle alone, or was the rest of the Cabinet going to be involved? There had been no meetings to discuss this. For example, the impact of the new employment legislation had not been discussed with Jim Prior. The main value of a willingness to take on the miners is its deterrent effect: just like the nuclear bomb, you hope never to have to use it. But did we let it be known that we were ready to face a strike if necessary? The truth is, surely, that we were not prepared for it.

14. During those last few days, Ministers were right to move swiftly to head off a strike. But with some thinking in advance, it would have been possible to reduce the risks (not eliminate them) that we would ever reach this situation.

Communication

15. Once the strike was averted, we were not ready with the right messages to explain the position to the public. (Disputes between Jim Prior and David Howell were featured widely in the press giving an impression of Government in disarray; several days later John Biffen gave the interpretation which received most publicity. He explained that some groups of people had the power and needed to be persuaded not to use it.)

Conclusions

16. Everyone involved in an affair like this will draw different conclusions, reflecting his own experience. We draw several:

(a) Advanced planning against predictable events is essential. It is still not too late to start. If Scargill becomes the leader, he will be a formidable opponent, but also an unpopular one with the country. There could be circumstances in which a strike threat - or even a strike - could be turned to our advantage. (The quote at Annex A from Gormley shows that he sees this.)

(b) A much closer working relationship between NIs, "sponsoring" Departments and key colleagues is necessary if these problems are to be headed off. This is now being recognised, but will we be ready to make changes when recommendations are made?

(c) We need to be ready with the right communication messages - preparing people to see events our way beforehand and interpreting events quickly when they are taking place. If we really want to start winning these crucial propaganda battles, instead of being hit for six with monotonous regularity, we will have to overcome our squeamishness about Ministerial broadcasts. We cannot win a war of economic survival by pretending it's peacetime.

"I am suspicious about several things. I accept that there may well be people on my own side - even some in my union - who would rather see this closure thing as a wider conflict.

"Not because of what is happening in coal, but the whole of industry. Yes, unemployment. This could be the spark they've waited for . . . and it's such an emotional matter it could spread like holy hellfire. To those industries that are hurting, and have only been waiting for a lead.

"I, as the miners' president, want no part in leading any pressure groups whose sole object is to bring down the Government. Oh yes, I want Maggie Thatcher out. And I'll fight to remove her. At the right time, and the right way. That means with an election.

"Listen, I know it would be no problem to get something started with the mining industry. We are well-regarded by the working people. But I am not leading the trade union movement into a conflict with the avowed intention of causing chaos, to change the Government.

"Some people may have this in their minds. But if we get involved in THAT little exercise it can only lead to Britain having a Government that will in turn destroy the trade union movement as we know it." . . .

"Oh, I know, I know. We forced one Government to the country. We can't get into the way of thinking that this is something we can do again and again.

"For next time, whatever Government we end up with - Left or Right - they are going to have to take action to make sure it can't happen a third time.

"This is the danger as I see it. That we start getting carried away with the idea we can use our industrial strength to change Governments. But what'll get changed is the constitution . . . and the role and place of our trade union movement."

Joe Gormley's interview with Brian James.
Daily Mail, Thursday, 19 February 1981