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Bc Mr. Wolfson
Mr Ingham
Mr Hoskyns
Mr Vereker

10 DOWNING STREET

From the Private Secretary

22 October 1980

SUBJECT

As you know, the Prime Minister held a short meeting yesterday evening with your Secretary of State, the Secretary of State for Employment, the Chancellor of the Exchequer, the Paymaster General and Mr. Moore to discuss miners pay. They had before them Mr. Howell's minute of 14 October.

The Prime Minister questioned the statement which the NCB intended to put out on their financial position in 1981/82 (Table C attached to Mr. Howell's minute). The figures showed only too clearly that the amount which they said was available for pay increases could not be justified on any economic rationale. Insofar as the Department of Energy had already apparently managed to talk the Board down on their proposed offer, she wondered whether the offer could not be reduced to below 10 per cent. A final settlement of 10 per cent might not be too bad; but to offer 10 per cent initially would almost certainly lead to a final settlement somewhat higher than this. The Chancellor said that he too was unhappy about the starting figure. The NCB ought to be under just as much pressure from the point of view of their pay negotiations as, for example, BL; yet they were starting considerably higher.

In response, it was pointed out that the figures in Table C - and in particular, the figure for Government grants - had to be seen as part of the four year strategy to turn the NCB round and to reduce its burden on the taxpayer. To reopen the Government's decisions on the figures would put at risk the whole strategy. But in any case, the amount which the NCB had decided to make available for pay increases was not a matter of economic logic: it represented their judgement of what they could get away with without a strike. Only they could reach this judgement, and for the Government to intervene now would very likely cause an immediate breakdown of negotiations and lead to industrial action. The offer in fact represented only 8 per cent on the pay bill because there was a 2 per cent productivity element.

The Prime Minister said that she still felt it was a pity that the NCB were not starting at a lower figure; but she was prepared to go along with the judgement that Ministers must for the time being leave the Board to pursue their chosen tactics.

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I am sending a copy of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), Richard Prescott (Paymaster General's Office) and David Wright (Cabinet Office).

J. P. LANKESTER

Julian West, Esq.,
Department of Energy.

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