

✓ Mr Whitton
Mr Hoskyns
Mr Lysons
Mr Duguid

PRIME MINISTER

COAL PAY NEGOTIATIONS

I suggest i) we put this on the agenda for E next Tuesday with a further report from Mr Howell in the light of the ballot outcome; and ii) we ask CCO for a note on the contingency arrangements if there is a strike. Agree? 27/11

Yes. av

Sir Derek Ezra came to see me today at his own request to set out the options before the National Coal Board on the miners' pay negotiations and to ask if the Government had any view to put to the Board about the choice facing them.

The NUM ballot is to be held this Friday, 30 November. Sir Derek said that in the Board's view it was now probable, though not certain, that the NUM National Executive would get the 55% vote they needed for rejection of the NCB's offer and authority to take industrial action. If this happened, the Board had three choices:

- a. To stand firm on the offer they had so far made, which is about 20% on basic rates. The argument for doing this was that, in the Board's view, the miners do not want a strike and that if the Board now increased their offer it would undermine their credibility in future negotiations. But the Board think that taking this line would mean industrial action by the union after Christmas. This could be either a strike or an overtime ban leading to a strike.
- b. To settle with the NUM. They said before the ballot that they would have been willing to settle for 25%, but it is impossible to be sure what the figure now would be. Much would depend on the exact size of the majority in the ballot. The Board's present view is that they should not adopt this course, because of the effect on their credibility and on future negotiations with the NUM. An increase in the offer could however be financed, without breaching the Board's external financing requirement, by higher prices or a cut in investment.
- c. An intermediate course. The Board are considering two possibilities:
 - i. An improvement in the incentive scheme, with extra pay financed by extra output.

ii. An offer that if the RPI increase next January or February exceeds the figure assumed by the NCB, the offer will be raised to this level.

Ezra said that the Board intended to decide between these options when the ballot result was known, probably next Monday, 3 December. He said he would report this to me and ask if the Government had any comments. The NUM Executive meet on Thursday, 6 December and it may then be necessary for the Board to make a response to them at once.

I made no response to Ezra other than to emphasize the importance of keeping within the Board's external financing requirement. We shall however need to consider whether to give the Board any advice and, if we do, what that advice should be. This would suggest a discussion early next week.

I am copying this to other members of E Committee and to Sir Robert Armstrong.

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SECRETARY OF STATE FOR ENERGY

27 NOVEMBER 1979