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17 October 1980

Policy Unit

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PRIME MINISTER

MINERS' PAY

I found David Howell's minute of 14 October almost unbelievable (except that there has been no "gamesmanship" thinking about the miners by anyone in Government except the Policy Unit). In the hope that it's not too late for a little commonsense:

1. TIMING

1.1 We question whether the Board are right to accept the deadline which Mr Gormley is attempting to impose upon them by his disappearance to Australia in mid-November. Apparently he agreed in the summer to go to the founding meeting of an international miners peace movement. It is not clear how long he will be away. Mr McGahey would deputise in his absence. The NUM have been trying to advance the date of their pay negotiations for several years. This year, by agreement, the date is 1 January. Originally it was 1 March (which bears some relation to the fiscal year); next year it is to be 1 November. Gormley is trying to ensure they have an earlier date than agreed this year.

1.2 Of course, the NUM believe that November negotiations strengthen their bargaining position because the peak winter demand for coal brings the stock margin down to a seasonal low - thus making the power supply system more vulnerable to strike action. We are not sure why NCB management ever agreed to move the date, but this may have been simply a reflection of belief that it is always "provocative" not to give the miners what they want.

1.3 There are several reasons why it would be in the Board's interest, and the Government's, for the negotiations to be drawn out over a longer period:

(a) The NUM's bargaining power begins to diminish as the winter wears on (high stocks, referred to in our earlier papers on NUM and CEGB stocks, at present have raised the endurance level to a point where the bargaining balance should start to shift against the NUM quite early in the winter).

(b) The miners are likely to provide a damaging comparator to the rest of the public sector. The longer it takes before their settlement is known, the less damage it will do.

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(c) As the private sector produces more moderate settlements during the wage round, and less militant parts of the public sector do the same, the miners' demands might begin to look increasingly unreasonable.

(c) A short negotiation period of two or three weeks allows very little public debating time, including the heavy cost of any strike action to the unions themselves, with their high bonuses.

1.4 We suggest that the Board should be invited to consider using Mr Gormley's absence as a reason for delay rather than acceleration. Are the NUM really likely to react by proceeding straight to a ballot without even waiting to hear the final offer? Imagine the media treatment; the agreement on 1 January cynically manipulated; Gormley off on a "peace jaunt" in Australia; gentle Mick in charge. None of the above thinking is particularly clever - just elementary bargaining "nous". Is Ezra a fool? Or has he been instructed to play the fool?

2. INITIAL OFFERS

2.1 It is obvious from David Howell's note that the Board's circumstances could justify a much lower initial offer than 10%. We believe the main factor which has influenced the Board in choosing such a high figure is, as he implies, a wish not to "provoke" the miners.

2.2 We think the initial offer should be justifiable in the sort of terms in which other NI's will be justifying theirs. Since the NCB are already saying that their EFL is inadequate, there is a case for arguing that there should be no general increase - just the continued opportunity to earn more under the productivity scheme. Of course this would be taken as provocative to this group (although it was thought right for steel workers last year) and we are not suggesting it. But the financial and market position of the NCB points more clearly to a single figure offer than to 10%. (But we recognise that the precise number is a matter of very fine judgment.)

2.3 We shall probably find that the miners' bargaining strength is too strong for even 10% to be accepted, but there is an important distinction between the initial offer - which can be justified - and the eventual negotiated settlement which we may want to describe

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frankly to the public as the result of the ruthless use of monopoly power. (Others may argue that the Government should avoid commenting on either the offer or the settlement. But the evidence is that the public do not make the sharp distinction between the Government and the NCB that we might like to see.)

3. PRESENTATION

3.1 We don't think the Board's financial tables (attached to David's minute) bring out the trade-off for miners themselves between more pay on the one hand and less investment or more closures on the other. We may not be able to stop miners helping themselves to more, but it should be very clear that in doing so, they will damage not just the rest of the community (through higher prices) but also themselves through lower sales, higher imports, lower investment and, if this case can be made, more pit closures.

3.2 If, as expected, the delegate conference calls a ballot recommending rejection of the final offer, there will be an important campaign period leading up to the vote. We should be preparing for this, though our role may have to be an indirect one. John Vereker has made a start on this.

4. DETERRENT

4.1 Rank and file miners will be less willing to strike now than in the past. There is not a strong sense of grievance: there could even be some sense of shame about striking for a very high demand when settlements elsewhere are moderate and unemployment is high. Equally important, miners now depend on productivity and overtime payments for a much higher proportion of their earnings than in the early 1970s. The 10-12 week overtime bans that preceded the strikes of 1972 and 1974 would therefore hurt more now than it did then. High coal stocks mean that an overtime ban could need to last longer than before. (This would be affected by the location of the stocks. In theory, the changes in the law on secondary action should restrain the NUR and TGWU from supporting strike action; but with very limited enforcement measures, we are uncertain about their effectiveness.)

4.2 NCB should be doing some miners opinion research by now, as we suggested in our "Steel Strike Lessons" paper. But I don't expect they thought of it or had it suggested to them.

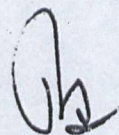
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This built-in deterrent may not be enough. We should consider letting it be known - perhaps through discreet leaks rather than in a way which seems overtly provocative - that we are making contingency plans for increased imports, rationing and other steps necessary to combat a miners' strike. If we expect the delegate conference to call for rejection of the offer anyway, this would not be provoking them unduly. Among the membership no doubt a display of determination by Government would provoke a few people to vote for rejection. But we think that a much greater number will decide that a final offer of, say, 12%, would be preferable to a twelve-week overtime ban and strike - provided they believe we are willing to fight it. The final offer may need to be higher. We are not advocating a strike; but once the NUM believe we would not be prepared to face one, the pass has been sold. It's just like unilateral disarmament.

5. SUMMARY

5.1 | The importance of getting this right is so great that you may want a discussion to explore some of the points. We suggest you raise with David Howell:

- (a) whether the NCB should be stampeded by Gormley;
- (b) whether the initial offer should not be lower;
- (c) whether the Board's propaganda fully displays the cost - in terms of danger to their industry - to the miners themselves, of strike action and/or higher pay;
- (d) whether the Government should discreetly let it be thought that contingency planning has started.



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