

cc to Nat Ind Pay Bd.

Prime Minister



~~cc Mr Hodgkins~~
Mr Verker (cfr)

PRIME MINISTER

MB

You have agreed to hold a meeting in early September to discuss how we should approach the coming pay round in each of the nationalised industries. This note can be considered then, along with the notes that have been commissioned from other sponsored Ministers.

NATIONALISED INDUSTRY PAY - COAL

I have seen a copy of the Chancellor's minute of 4 August to you, enclosing a paper by Treasury officials on this subject. I have also seen a copy of your Private Secretary's letter of 5 August.

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2. We are all agreed that our objective on miners' pay is that the NCB should reach the lowest possible agreement with the NUM without, however, pursuing a course of action which could bring with it a significant risk of a national miners' strike this winter. I believe this points to the conclusion that we should go along with the NCB's approach to the negotiations as set out in the Annex to the Treasury paper. Derek Ezra has already told me that the Board will, of course, be aiming for as low a settlement as possible. As indicated in the Annex to the Treasury paper he is aiming to settle for an increase of some 7%-8% on the Board's wages bill, although some of his colleagues consider a slightly higher figure (but still below the annual rate of inflation) may be needed to reach a settlement. It is, however, early days and much depends on avoiding disturbance of the negotiations by outside issues. However, the Board will no doubt again wish to present the increases as somewhat larger so as to enhance the chances of the miners accepting it. I realised this approach has presentational difficulties for other industries. But it is clearly preferable to the Board having to settle for a larger real increase, bearing in mind that as last year, the NCB can be expected to keep other industries fully briefed on the real nature of any settlement.

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(See also Mr Heath's note attached)



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3. At the moment the NUM seem unlikely to submit a claim before the second half of September. They are particularly anxious that their claim should not become mixed up through the 'Triple Alliance' with any national railway strike. Substantive negotiations will therefore probably not begin until October and are unlikely to be completed by the settlement date, 1 November, as any deal will almost certainly have to go to a ballot. In the interim Derek Ezra has set up a negotiating committee on which Norman Siddall and James Cowan (Board Member for Industrial Relations) will serve.

4. The Board are also aware that there is inevitably a link between our willingness to continue investment in the industry on a large scale and their ability to contain wages and thus pave the way for a return to profitability. Indeed, Derek Ezra explicitly acknowledged the link at the Chancellor's meeting with NICG on 9 July.

5. In the light of my earlier discussion with Ezra and the points on pay which the Chancellor made at his meeting on 9 July, I find it difficult to see any advantage in my meeting Ezra in the near future to discuss the forthcoming miners' claim. Indeed, I believe it could be disadvantageous if, as is likely, news of the meeting were to leak out and it were to be seen as a sign of renewed Government pressure on the NCB. This would almost certainly lead to a hardening of attitudes in the NUM.

6. Whilst there are those in the NUM, particularly Arthur Scargill, who would undoubtedly like a political confrontation with the Government at an opportune moment, the Board do not believe that the NUM are likely to try to mount such a confrontation this year. I agree with this assessment. There are, however, a number of developments which could possibly act as a flashpoint. For example the Board



successfully reduced the workforce by over 10,000 men over the past year (or some 5%) and plan a similar reduction this year. NUM pressure for a vigorous recruitment campaign, notably of juveniles, is mounting and could lead to trouble. Again, we are considering the Board's investment programme and EFLs in a separate context. If the NUM believed that investment in the Plan for Coal was being seriously called into question, at the very least this could lead to a hardening of their attitudes in the wage negotiations and to wider difficulties. There is increasing awareness in the NUM that we have cut back the Board's investment programme in real terms this year, as well as growing resistance to the Board's laudable efforts to cut down on investment in high cost mines, which the NUM consider to be closure by the back door. All these problems should be manageable if the Board and the Government play their hands carefully.

7. The Board have undertaken to keep me in close touch with developments and, as in previous years, I shall keep you and other colleagues fully informed.

8. I am sending copies of this letter to those attending your meeting on nationalised industry pay on 7 September and to Sir Robert Armstrong.

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SECRETARY OF STATE FOR ENERGY

13 August 1981