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The Rt Hon Sir Geoffrey Howe QC MP
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Stan Gifford

MINEWORKERS' PAY NEGOTIATIONS

The first negotiating meeting between the NCB and the NUM took place on 6 October. The general feeling afterwards on both sides was that it went as well as could be expected.

Following the NUM's formal submission of their claim, the Board made a detailed statement of the resources available to meet it. They pointed out that it would cost around £1200 million in a full year to meet the claim in full (23.7% on basic rates, plus substantial other wage and non-wage items). The Board just did not have such money available. In February the NUM had shown more concern for the preservation of jobs than for wage increases. If the NUM had accepted the Board's closure proposals at that time, there would have been more money available now for pay.

The Board then circulated tables which set out their expected financial position over the next year. These showed that the grants agreed for 1981/82 and anticipated for 1982/83 were largely being swallowed up by the losses incurred on maintaining uneconomic pits in operation and that the potential for further price increases was very limited if markets were to be maintained.

The tables indicated that a sum of £120 million might be available to finance pay increases (including associated costs) over the next year for all the Board's staff - not just mineworkers. This is equivalent to a 6.5% increase on basic rates, or a 5.2% increase in average earnings. The Board did not mention these figures. Joe Gormley initially asserted that the Board were attempting to impose a Government 4% limit, but the Board emphasised that the Government had set no pay target or limit for the industry, and they themselves had assessed how much they could afford. The more money that was made available for pay, the less

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- 2 -

there would be for investment.

The NUM in fact quickly accepted that £120 million would give more than a 4% increase. This greatly improved the climate of the meeting. At the end, Joe Gormley said that £120 million was not enough. Arthur Scargill, who misinterpreted the sum as representing an increase of nearly 8% on basic rates, said that the offer was wholly inadequate. Such reactions were only to be expected at the first negotiating meeting.

Another meeting has been arranged for Monday, 19 October. This may continue on 20 October with both sides aiming to reach a settlement then if at all possible. The Board remain hopeful that they will achieve a settlement that can be presented as equivalent to 9% - 10% on basic rates, but which in fact adds only 7% - 8% to earnings and to the Board's wage bill. Their approach is likely to be an offer, at the beginning of the meeting, of a 6.5% increase in basic rates and then an offer of limited improvement on incentive payments. It may be possible to take the non-pay items in the NUM's claim (eg shorter hours) out of the formal claims machinery and discuss them separately.

Some of the media correctly interpreted the sum of £120m as being equivalent to increases on basic rates of 6% - 7%. The Board have ensured that Joe Gormley and his NUM colleagues know that this is the case. Other newspapers have referred to higher percentage figures, probably drawing on Arthur Scargill's figures. The NUM Executive may itself put the record straight after its meeting on 8 October. If it does not, the Board have indicated that they will take steps to do so.

I will continue to keep colleagues in touch with further developments. Once again I should like to stress the importance of protecting the Board's negotiating position. Our low profile in the wage claim hitherto has enabled the Board to rebut effectively charges that the Government is dictating the terms offered.

I am sending copies of this letter to the Prime Minister, members of E, the Secretaries of State for Scotland and Wales, Sir Robert Armstrong and Mr Ibbs.

NIGEL LAWSON

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