

CONFIDENTIAL

Prime Minister

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cc Mr Dwyer
Mr Vercher

DEPARTMENT OF ENERGY
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MUS 16/10

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Gt George Street
London SW1

15 October 1981

A large, stylized handwritten signature of Sir Geoffrey Howe.

Handwritten initials, possibly "MB".

MINEWORKERS' PAY NEGOTIATIONS

In Nigel Lawson's absence I am writing to give you a further report on developments on the NUM wage negotiations.

Since we last reported the tempo of the negotiations has slowed down. The next meeting will still be held on 19 October, but the Board expect it to be another "preliminary canter". Joe Gormley is then planning to visit North America for a few days. The following (and perhaps crucial) meeting is likely to be held in the middle of the week beginning 26 October or early in the following week. The Board believe that Gormley's current thinking is that it may be easier to gain acceptance of a reasonable settlement if the ballot takes place close to the Presidential election. On the other hand they are conscious of the danger that the more drawn-out the negotiations are, the greater the danger that somebody will cause trouble and that they will be under increased pressure to go on improving their offers. There are already signs that Mick McGahey wants to make life difficult politically for the Government.

The Board's present plans are to make an offer of about a 6% increase on basic rates on 19 October plus 1% on incentive payments. The latter will cost some £7m pa. The Board will also be prepared to continue talking about the non-wage items. The Board expect Gormley to turn down the offer as insufficient, but be prepared to continue talking at a subsequent meeting. The Board will, however, not be taking a final decision on their tactics until closer to the meeting.



Turning to the question of presentation, you will no doubt have seen that the record has been put straight on the particular misleading reports, to which you referred in your letter of 8 October. The Daily Express picked up Derek Ezra's reference to "the offer that never was made", while the Daily Telegraph referred specifically to a $6\frac{1}{2}\%$ offer. We hope that other papers will pick up the Daily Telegraph article before the meeting on 19 October. In any case the Press should be in no doubt after that meeting about the level of the Board's offer.

I should add that Jimmy Cowan (NCB Board Member for Industrial Relations) is keeping in close touch with his counterparts in other nationalised industries and keeping them fully informed about the real implications of their offers.

Nigel will be replying to the other points in your letter of 8 October on his return from Blackpool. I am copying this letter to the Prime Minister, members of E, the Secretaries of State for Scotland and Wales, Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in cursive script, appearing to read 'John Moore', written in dark ink.

JOHN MOORE