

SECRET

cc Mr. Hoskyns
Mr. Duguid

BI

MR. SCHOLAR

NUM Wage Negotiations

The negotiations over miners' pay may generate some difficult decisions for Ministers shortly. As you know, the present timetable is that the NCB and the NUM will meet next Tuesday, 8 December, by which time the outcome of the ballot (which is being held today and tomorrow) for the new President will be known. The NUM Executive will then meet separately on 10 December to decide in what terms to put the NCB's final offer to a pithead ballot. The current offer is equivalent to 7.3% on average earnings, broadly presented as 9.1% on basic rates.

In his letter of 1 December, Mr. Lawson warns that, as a result of yesterday's announcements, there will be "intense pressure" on the NCB to increase their offer by 2% or 3%. I have discussed this with the Treasury, and (this morning) with the Under-Secretary in Energy responsible for coal. Although the NCB formally have the power to increase their offer without reference back to Ministers, and although the EFL does not in practice constrain their pay offer, Energy are sure that they will be given advance warning by the NCB of any proposed increase. Both Treasury and Energy believe that the NCB really are trying to keep the offer down, and Energy even fear that in their efforts to keep it to single figures, the NCB may risk losing the ballot - which would undoubtedly be the most expensive outcome of all, since the increase then required would be larger.

The NCB's view this morning, ^{however} is that yesterday's package was even worse than they thought, and that they would have to make a significant increase, perhaps of the order of magnitude of 2 - 3%, in order to provide something acceptable in the ballot. I have of course commented that, presentationally, neither an offer in double figures nor an increased offer in response to the Chancellor's package are at all desirable. I understand that Mr. Lawson will be writing to his colleagues either today or tomorrow, warning of the probable increase and pleading for no reference to be made to the average earnings (as opposed to basic rate) figure. Having started on this charade of falsely presenting the offer, the NCB are becoming

SECRET

/hooked

SECRET

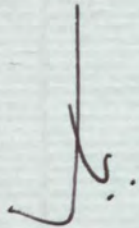
- 2 -

hooked on it.

So for the moment I think the Prime Minister should not comment on Mr. Lawson's letter of 1 December. Ministers having already decided that this is not the year to confront the miners, their judgement may shortly be required on two points:

- i) The minimum offer that will be accepted at the pithead ballot. It seems improbable that the Government will be in a better position than the NCB to judge this; and
- ii) Whether the need to present the offer to the miners in the best possible light continues to outweigh the damage that a perceived high settlement will have on pay determination elsewhere.

Events may move rather quickly early next week. It may be that (as last year) these issues are best discussed in a short meeting of the Ministers directly concerned.



3 December 1981

SECRET