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Prime Minister

MS 8/1

PRIME MINISTER

COPY NO. 1 OF 8

A MINERS' STRIKEIntroduction

We need to give preliminary consideration now to what approach the Government should adopt in the event of the miners voting on 14/15 January to reject the NCB's offer and accepting the recommendation of the NUM in favour of taking strike action, if necessary. This paper has been discussed with the No.10 Policy Unit and the Central Policy Review Staff (CPRS) in draft, although there has not been time to agree a final text with them.

Prospects for a strike

2. The NCB are taking determined action to bring home to their workforce the generous nature of their offer. (Details are at Annex A). They are also taking steps to contradict the NUM's claim that, if the ballot goes against the Board, there will not be a strike as the Board will then be ready to increase their offer in order to avoid one. Such a belief only encourages miners to support the NUM's recommendation and thus increases the chances of there being a strike.

3. In the run-up to the ballot it is important that the Government should continue to maintain a low profile and to take the line that the negotiations are between the Board and the NUM. We too must avoid giving any impression that an adverse vote will result in an increased offer.

4.9 The Board's assessment at the moment is that probably some 60% of miners will vote for the Union's recommendation, compared with the 55% required to authorise strike action. But the

situation could change. Now that the men have returned to work after the holidays members of the NUM Executive led by Mr Scargill will try to whip up support for the NUM's recommendation. The Board will let me have a further assessment early next week, which I shall report on at your meeting on 12 January.

Timetable

5. The result of the ballot on 14/15 January is likely to be available Monday, 18 January, or Tuesday, 19 January. The NUM's National Executive Committee will consider it on Thursday, 21 January. If less than 50% of the membership support the Executive's recommendation to reject the Board's offer, the Executive will have little choice but to accept the offer. There could, however, be difficulties if the vote for the recommendation is between 50% and the 55% required to permit strike action. (See Annex B). If the recommendation is endorsed by a 55% majority the NUM are likely to seek early talks with the Board.

The attitude of the Board

6. Sir Derek Ezra has told me that the Board believes that, if their offer is rejected, they must stand firm. If approached by the NUM they would consequently propose to take the line that, while they are prepared to talk, there is no more money available. Their reasons for taking this stand are:-

- (a) The Board attach great importance to making it clear to Mr Scargill, even before he takes over from Mr Gormley as President, that the threat of strike action during pay negotiations just does not pay. Their reaction in the first confrontation with Mr Scargill will set the pattern for the future. If the Board make a substantially increased offer soon after rejection in order to avoid strike action, they are convinced that they will be faced with even more unacceptable pay demands in November, by which time Mr Scargill will have had time to make all his dispositions, and in subsequent years.



(b) The NCB are convinced that the NUM could not be bought off with a token increase, unless the majority is very small and support for the strike comes predominantly from the extreme areas, eg South Wales, Yorkshire, Kent and Scotland. In order to prevent a strike the Board believe they would have to offer about 12% on base rates compared with the present offer which is the equivalent of 9.3% on base rates. The Board are unwilling to pay such a price.

(c) The Board's negotiators have repeatedly said they have no more money to offer. This is indeed the case if they are to avoid damaging their markets and long-term investment plans. (We have, of course, encouraged the Board to seek the lowest possible settlement). The Board believe that their credibility in future negotiations would be destroyed if they were to offer substantially more in face of a threat of strike action.

7. The Board recognise that such a stance is likely to lead to strike action unless the vote is very close and strike action is only supported by the extreme coalfields. This could begin as early as 1 February, as they believe the NUM will not be prepared to delay strike action if substantially more money is not made available. But they see no alternative.

8. The NCB believe a strike might last 3-6 weeks. They would expect the TUC to start trying to mediate at an early stage, perhaps even before a strike starts. Alternatively, if the strike is prolonged, both sides might ask the Government to appoint an Arbitrator - ACAS is unlikely to be acceptable.

9. In the event of a strike, the Board recognise that they will have to increase their offer from 9.3% to bring it to an end, and they believe that the longer a strike lasts, the greater the

increase needed. If a strike goes on for a long time, say 5 or 6 weeks, their very preliminary thinking is that they might have to pay the equivalent of 15% on base rates (or 3% more than the 12% they think they could settle for soon after the ballot) to end a strike. I have asked them to assess this question more fully, including whether a settlement might include an agreement on productivity. The Board nevertheless believe that an increase in their offer after a strike is less damaging to their future credibility and the Government's economic strategy than early capitulation. They are determined that the eventual settlement will result in the miners being less well off, taking into account loss of earnings through a strike, than had they accepted the Board's original offer. This should also leave the miners less inclined to strike again next winter. A six week strike would cost the average miner nearly £900 gross. By contrast, the Board also believe that early capitulation would only encourage Mr Scargill to make higher demands next winter, backed by strike action then.

10. Sir Derek Ezra has asked for an early indication of whether the Government supports the Board's firmness now and in response to any approach after an adverse vote. He has urged that we should reject pleas for either bilateral or trilateral meetings involving the Government and the NUM.

Government reaction

11. Despite Sir Derek Ezra's request for clear guidance now, I am sure we should not try to reach final decisions until after we know the outcome of the ballot. Only then shall we be able to assess the strength of support for rejection and whether militancy is restricted to the traditionally militant coalfields or is more widespread. We shall also need to take into account the reaction of the local authority manuals to a similar offer (and the final outcome with the water industry manuals) and the reaction of the media and public to the outcome. We shall need to meet to assess the position as soon as the outcome of the ballot is known.

12. I have asked Sir Derek Ezra to let me have a full assessment of the outcome of the ballot as soon as possible and have told him that I would wish to discuss further action with him before the Board meet the NUM for further discussions, to which the NUM is in effect committed. I have also told him that I believe that the Board should try to prolong any negotiations for as long as possible as, even if there is eventually a strike, delay would enable us to prolong our ability to maintain electricity supplies into the spring, when the public will find disrupted supplies easier to bear. The Board will be exploring the various possibilities for spinning out any discussion. I also strongly urged Sir Derek to make Mr Gormley honour his undertaking publicly to urge his membership not to reject the Board's offer. Such a plea on television could have great impact both on the miners and on public opinion.

Options for the Government

13. We should nevertheless give preliminary consideration to the main options open to us in the likely event of 55% or more of the miners voting in favour of the recommendation, namely:-

- (a) to urge the Board to increase its offer to whatever reasonable level proves necessary to avoid strike action, say 11%-13%;
- (b) to support the Board's present position of no more money at all; or alternatively to agree to a token increase to demonstrate a desire to be reasonable and avoid a confrontation, even though this may be less than the amount the Board considers to be the increase needed to buy off a strike.

Option A

14. The size of the offer needed to avoid a strike will depend on the precise outcome of the ballot. If the outcome is very marginal and support for the NUM's recommendation only comes from militant coalfields it might be possible to avoid a strike by offering only a token increase, say $\frac{1}{2}\%$ or 1% . In this case the damage to the Board's finances and credibility in making such an offer and the Government's strategy would be strictly limited.

15. On the other hand, if the Board are correct in believing that some 60% of miners will support the recommendation, their best estimate is that they will have to offer the equivalent of about a 12% increase on base rates. This approach would avoid all the political and economic uncertainties that strike action will inevitably involve. It would give us more time to lay our plans for a possible strike in the autumn. In the short term the cost to the Board would be less damaging than that of a strike. Indeed such a settlement might do less damage to the Board's finances and our economic strategy than if the Board eventually had to settle for still more on base rates after a strike. We could make the most of the fact that the increase in earnings would only be 9%, ie close to the water industry manuals' final offer

16. Against this, a settlement of about 12% would damage our efforts to hold down future pay increases in the public sector, even if we claim that the miners were a special case. It would soon become known that the Board had only taken such action under pressure from the Government. The Board might well make difficulties over complying with our wishes as this would undermine their credibility as negotiators. We could even be faced with one or more resignations from the Board. Such action would only postpone the clash with Mr Scargill and would cause him to seek to involve the Government at a very early stage in the autumn negotiations.

Early victory would boost his morale and whet his appetite for future encounters with the Board and Government. While the NCB might ask us to meet the cost of such a settlement - each 1% increase on base rates costs £13m for NUM members and £18m for the NCB workforce as a whole - we could point out that the Board had themselves made clear that more money would inevitably mean higher prices (including higher electricity prices) and reduced investment. There would inevitably be a strong reaction from the private sector.

Option B

17. In considering this option we must take into account the probability that there will be a confrontation with Mr Scargill and the NUM either this winter or next November. We therefore need to assess whether it is better to stand firm now or later.

18. The following considerations are pertinent:-

- (a) Mr Scargill has not had an opportunity to prepare for an early confrontation. He will almost certainly prepare detailed plans for a November confrontation, laying the groundwork at the next NUM Conference in July. A carefully prepared "political" confrontation could be more damaging and spread more widely next autumn than now.
- (b) At the moment the NUM membership are in a quiescent rather than militant mood. Compared with almost all other workers they have good job security (or generous redundancy terms if they should wish to leave) and are being offered significantly more than most other groups have settled for. Mr Scargill and others will, of course, attempt to whip up militancy in the period ahead. But by the autumn he will have had much more time to do this in support of a political-cum-pay confrontation with the Government.

- (c) Annex C sets out the current position regarding endurance and compares it with what might be attainable next winter. The exceptionally bad weather and the effect of ASLEF's likely stoppage next week have resulted in lower figures for power station endurance by early February than we discussed before Christmas. There are many uncertainties. But if a strike begins early in February and oil burn at power stations can then be maximised (and some other exceptional measures taken) electricity supplies could be maintained until the beginning of April. If a strike is delayed until later in February, endurance well into April should be possible. However, in both cases preparations for extremely severe restrictions on electricity demand (far more drastic than any experienced so far with highly damaging consequences for industry and consumers generally) would have to be made before the limit of coal stocks is reached. In November the industry should have stocks for a longer period of endurance. But Mr Scargill could be expected to ensure that industrial action began very much earlier next winter - perhaps in November, rather than in February. This would imply a limit of endurance around the end of February 1983, ie a month or so earlier than should be possible this year.
- (d) A strike in February would mean lower stocks in November 1982 and reduce our ability to hold out then if the NUM again threatened industrial action. It would be difficult to restore coal stocks by November even if exceptional and costly measures were taken during the summer. But the NUM membership are likely to be very reluctant to take strike action twice in one year, particularly if they are still out of pocket as a result of the earlier strike.



19. There is very little prospect of the Government and the Board inflicting total defeat on the NUM either now or later. At the present time it is by no means clear that it will be easier to make the NUM pay more dearly for strike action in the autumn than now. The fact that the NUM are not fully prepared, and that spring is in prospect may thus outweigh the better stock position expected in November. If Mr Scargill has an early victory now, morale in the NUM is likely to be high in November and the Union is more likely to be prepared for a lengthy strike. The danger of a political confrontation supported by other unions seems more likely in November than now. On the other hand if there is a strike now the Board may have eventually to settle at a figure which would still give Mr Scargill a victory.

Conclusion

20. At this stage I invite colleagues to note that I have told the NCB that the Government:-

- (a) welcomes the steps the Board are taking to put over to their workforce the generous nature of their offer;
- (b) agree that in the run-up to the ballot it is vital that all concerned should avoid giving any indication that the NCB has any money to increase its offer in the event of an adverse outcome to the ballot;
- (c) would wish to have very early discussions with the Board, if the vote goes against the Board, to assess the situation and consider further action.

SECRET



21. While we cannot reach final decisions until we have a detailed assessment of the ballot and its implications, colleagues will also wish to give preliminary consideration to the two main options which may face us (paragraphs 14-19).

22. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Transport and Employment, Sir Robert Armstrong and Mr Ibbs.

CONQUEROR

S. D. C.

(Approved by the Secretary of State for Energy
and signed in his absence)

8 January 1982



ANNEX A NCB MEASURES TO PUT FORWARD THEIR CASE

The NCB are taking the following actions to ensure that the case for accepting their current offer is fully understood by the NUM's membership.

a Press Advertisements, beginning in local and regional newspapers on 6 January, and moving to popular national dailies on 10/11 January. A copy of one of these is attached.

b A special feature in the January issue of 'Coal News', the industry's newspaper read by most miners.

c A series of speeches by Sir Derek Ezra and other Board Members, with accompanying press briefing material. These began with a speech by Sir Derek Ezra on 5 January. [REDACTED]

d Area Directors are ensuring that colliery managers put forward the facts of the case to the men.

The Board are also asking colliery managers to prepare contingency plans for the event of a strike, and are consulting the officials' and staff unions on the provision of safety cover. All this will impress on the membership that a vote for strike if necessary is a vote for a strike, not a vote for an increased offer.

THE FACTS OF THE COAL BOARD'S OFFER TO THE MINeworkERS

FACT.

The offer is the equivalent of 9.33 per cent on basic rates. And workers qualifying for the new service bonus get up to 10.5 per cent.

FACT.

It is one of the best made to any major group of industrial workers in the present round.

FACT.

The increase comes only 10 months after the last settlement.

FACT.

It is the third increase in 20 months, during which time mineworkers' average earnings for five shifts, including the current offer, will have gone up by more than the cost of living.

FACT.

Since the Wilberforce settlement in 1972 mineworkers' average earnings for five shifts, including the current offer, will have gone up by over 385 per cent - against a rise in the cost of living of 274.2 per cent.

FACT.

The Board's offer takes full account of the industry's improved performance, both past and future. It is the most the industry can afford if we are to hold our markets and go on investing for the future.

FACT.

If we do lose markets and fail to invest, jobs will inevitably be lost.

Proposed Adult Grade Rates

Grade	Current Rate	Proposed Increase	Proposed New Rate
	£	£	£
U1	111.95	9.60	121.55
2	101.80	8.70	110.50
3	98.00	8.40	106.40
4	94.80	8.25	103.05
5	93.35	7.95	101.30
6	91.75	7.85	99.60
7	90.20	7.75	97.95
FACEUC1	111.95	9.60	121.55
FACEUC2	98.00	8.40	106.40
FACEUC3	94.80	8.25	103.05
UC1	103.45	8.85	112.30
UC2	96.35	8.50	104.85
UC3	93.35	7.95	101.30
S1	95.30	8.15	103.45
2	87.15	7.55	94.70
3	85.55	7.35	92.90
4	84.00	7.15	91.15
5	82.35	7.10	89.45
6	80.85	6.95	87.80
SC1	94.10	8.05	102.15
SC2	87.15	7.55	94.70
SC3	84.00	7.15	91.15
Insp QC	95.30	8.15	103.45

New Service Bonus

2-4 years	£20	5-14 years	£30
15-24 years	£50	25 years or more	£70

Proposed Juveniles Rates

Age	Proposed Increase		Proposed Rate	
	Surface	Underground	Surface	Underground
17½	£5.70	£5.70	£61.45	£68.55
17	£5.05	£5.30	£58.55	£65.35
16½	£4.45	£4.75	£56.20	£62.70
16	£3.90	£4.35	£54.00	£60.25

**FACT. THE COAL INDUSTRY IS SUCCEEDING-
A STRIKE NOW WOULD DESTROY THAT SUCCESS.**

NCB

Issued by the National Coal Board



ANNEX B. EVENTS FOLLOWING A VOTE BY NUM MEMBERSHIP OF BETWEEN 50% AND 55% FOR REJECTION OF NCB'S OFFER

In this case the membership would have rejected the Board's offer and the NUM Executive would certainly press for further negotiations. However, they would have no mandate to order a national strike. A rather confused picture might emerge, perhaps involving an overtime ban and for locally authorised strikes (which the NEC can agree to without a ballot). But none of this would add up to action which could lead to the kind of reduction in coal stocks which is the only way in which a miners' strike is effective. The eventual outcome would most likely be acceptance of a very small 'cosmetic' improvement on the NCB's present offer; though the Board might be able to get away with no change.



POWER STATION ENDURANCE

Power station coal stocks decline from mid-December in normal circumstances. This winter's exceptionally bad weather combined with the likely ASLEF 2 day stoppage and other factors may well reduce power station endurance by early February to 6 - 7 weeks at normal levels of electricity demand.

2 Exceptional measures could extend endurance. Maximising oil-burn could probably extend it to 8 - 9 weeks. Importing more coal than we agreed with the NUM after last spring's Tripartite would be confrontational but, together with using more gas diverted from industry, could probably add another week of endurance.

3 If we were prepared to impose restrictions on electricity demand it would extend endurance but not very much. Measures as severe as the worst experienced in 1974 would have to be applied for a full 6 weeks to extend endurance by 1 week.

4 But even if we assume that endurance can be stretched from early February to early or mid-April, it is clear that, towards the end of March before coal endurance is exhausted, either the dispute will need to be resolved or preparations will have to be made to impose swingeing cuts on electricity demand, cuts so severe that they have never been contemplated previously. Those preparations would probably involve introducing more limited restrictions at that point in order to prepare consumers for a progressive tightening of control. (This assumes that we would find it difficult or impossible to use servicemen to move pithead stocks to power stations for the reasons discussed in the MISC 57 report). Effectively, the electricity system would be run on oil and nuclear stations only and demand would probably have to be cut by 60%/70%. Essential services and industries, (eg. food, medical), some domestic consumption and little else could be accommodated. Most of industry would probably close down giving rise to unemployment far beyond the capacity of the social services.

5 As spring advances heating load falls off and restrictions would be less onerous for that reason. Nevertheless the social effects of restriction at a level never before experienced could be considerable.

6 If on the other hand the NUM are bought off this winter, they might be encouraged to move towards confrontation much earlier next winter. An overtime ban might begin in early November and a strike before the end of November.

7 If there is no prolonged railway stoppage this spring and no NUM action, while accelerated deliveries continue, we might look forward to coal stocks providing an endurance of 10 - 11 weeks of average weather demand in early November (this is less



than earlier envisaged because of recent severe weather and the effects of industrial action by ASLEF). If oil use is maximised from an early stage this might be extended to 15 - 16 weeks. The other measures mentioned above would also be available. But if the dispute is not resolved before coal stocks are exhausted the extremely severe restrictions on electricity demand will have to be imposed earlier in the year, probably some time towards the end of February, when they would bite more severely.

8 It is unlikely that the NUM would precipitate action both this winter and next, but if they did, our position next November is likely to be even worse. It may prove difficult to recoup stock losses caused by action now during the summer months; we could therefore face the winter of 1982/3 with endurance less than 10 - 11 weeks of coal.

9 These assessments are clearly subject to uncertainty. Abnormal weather, industrial action in the pits or on the railways or even accidents can alter the position. They will be kept under constant review.