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Prime Minister

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Qa 05771

11 January 1982

To: MR SCHOLAR

From: J R IBBS

Miners Pay

1. The CPRS was involved in discussions leading to the Secretary of State for Energy's paper "A Miners' Strike" but did not participate in its final preparation. Like the Policy Unit (whose paper dated 8 January I have seen) I do not dissent from the Secretary of State's conclusions so far as they go.

2. The paper makes it clear that if at the ballot a majority support 'strike action if necessary', the NCB and the Government will be left with a very nasty choice:

- either to allow a strike to occur and aim to settle it within the limited power station endurance available (this endurance is now presented as being significantly less than when Ministers last considered it);

- or to settle by negotiation at whatever level proves necessary to avoid a strike.

The information available on which to take the difficult decision seems very suspect. John Hoskyns rightly draws attention to the way in which assessments so far have been wrong or contradicted. It is hard to put much reliance on the NCB's current assessment that about 12 per cent on base rates will be enough to secure a negotiated settlement. Alternatively, there is no good reason for believing their preliminary view that 15 per cent would necessarily suffice to end a strike (the Secretary of State has already asked for a further assessment of this). In neither case is there any evidence or argument at

present as to how a settlement should be presented so as to do minimum damage to

- prospects for the 1981/82 pay round
- the long term NCB/NUM balance of power, and hence future pay rounds
- the economy overall and general political authority.

3. The immediate danger is that Ministers will be faced on 20 January with a majority of miners having voted in favour of 'strike action if necessary' and with little more information than now on which to weigh up the alternatives, other than precise knowledge of how the voting went. I suggest that during the next week as much information and clarity as possible needs to be built up on the following points:

(a) in relation to settlement without a strike:

- How would the NCB be persuaded discreetly to negotiate?
- How should the negotiations be conducted to get the lowest settlement and the best outcome for this and future wage rounds?

(b) in relation to settlement after a strike:

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- How would a strike be terminated; what would be the likely terms and how long would it probably take to reach them; how great a risk would there be of the strike persisting so that virtually the entire claim would have to be conceded in the final stages of power station endurance? (An accurate up to date assessment of this endurance is obviously needed).

For each alternative the following also need to be assessed:

- What should the Government's posture be during the strike/negotiations?
- How would the settlement be presented so as to do least harm to pay levels, the economy and general political authority?

Would it be possible to put a ring fence round the mines and other key utilities?

- How would the money for the settlement be provided? Entirely from coal industry investment or in part from an increased EFL? - what would be the likely effect on the NCB's P and L account, grant requirement and cash position?

- What would be the likely effect on prices, the PSBR, and private industry costs?

4. The above are very difficult questions and definitive answers to some are, of course, impossible. It is worth doing as much preparation as possible but in the end it will still be a matter of judgement in the midst of major imponderables.

5. I am sending a copy of this minute to Sir Robert Armstrong.

JR

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