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Prime Minister

MINEWORKERS' WAGE NEGOTIATIONS

Norman Siddall and James Cowan (the Chairman and First Deputy Chairman of the NCB) called on me on 7 September to explain the offer which the NCB are proposing to make to the NUM and how they viewed the tactical situation. A significant change from the Board's earlier assessment (which was reported in my letter of 2 August to the Chancellor) is that they now believe there will be some form of negotiation, involving two meetings rather than one with the NUM.

At the first negotiating meeting on 15 September the Board are proposing to offer around 5% on basic rates, which is equivalent to about 4% on average earnings. They believe that they can defend this figure as the most the Board can possibly afford, even on the assumption that the Government is prepared to continue to provide financial support for the industry. They will, among other points, underline the losses caused by the one day stoppages in support of the Health workers and stress that the industry's ability to pay even 5% is dependent on there being no further industrial trouble.

The Board believe, however, that if the NUM were to put a 5% pay offer to a ballot the membership would certainly reject it and give the 55% majority needed to authorise a strike. I am sure this assessment is correct. The Board will therefore need to go higher, if there is to be a reasonable chance of avoiding a strike. But they need to be careful about how they move to an increased offer, because of the danger of raising the miners' expectations unduly if they give the impression that they are running scared of Scargill. The Board therefore intend to indicate towards the end of the first negotiating meeting that there could be more money available if the NUM is prepared to discuss with them ways of making savings elsewhere.





The Board believe that these hints will be sufficient to induce the NUM to agree to a second negotiating meeting, which may take place on 5 October when a meeting has already been agreed tentatively to discuss non-pay matters.

At this second meeting, the Board will be prepared to agree to make a final offer of between 7-8% on basic rates (equivalent to between 5½ and 6½% on earnings). I believe that they will make every effort to settle at 7½% but will want to go to 8% if really necessary. They will, of course, be undertaking intensive soundings in the coalfields between the two meetings to find out the men's thinking on pay.

The Board accept that, following the NUM Conference resolution on pay and the public position Scargill has taken up, any offer they make will inevitably be rejected by the NUM Executive and the Special Delegate Conference. (They have considered the possibility of making no offer at all in these circumstances but, rightly in my view, have rejected such a course of action.) Their offer will therefore almost certainly be put to the membership with a recommendation that it should be rejected and that the Executive be empowered to call a strike. As last year, the Board are relying on the men overturning their leaders' recommendation in the ballot. They will be directing their PR campaign, which will be of critical importance, to this end.

If the Board's timetable of two meetings, on 15 September and 5 October, is followed, this would imply a Special Delegate Conference on about 18 October, and a ballot on about 1 November. A strike, if one occurred, following a 55% vote in the ballot, might start on about 15 November.





The Board stressed Scargill's unpredictability. They believe he will certainly try to bring pit closures into the discussions, but they are uncertain precisely how he will try to do this. It is possible that Scargill will refuse to negotiate on anything other than the full NUM claim; but the Board believe it is more likely that other members of the NUM Executive will press Scargill at least to discover how much the Board are prepared to offer. The Board, of course, are relying on this happening to get the NUM back for a second negotiating meeting.

I pressed Cowan on what he would do if Scargill made it clear that he would go to the Special Delegate Conference and a ballot on the basis of whatever offer the Board made at the first meeting. He could say only that in those circumstances he would need to adjourn the meeting while he consulted the Board. I appreciate the difficult tactical situation the Board are in, and the dangers of moving too quickly to their final offer. But I believe it is essential that the Board should, one way or another, be able to campaign in the ballot on the basis of their final offer (7-8% on base rates). Only thus can Scargill's unreasonableness be highlighted.

Siddall and Cowan indicated that the chances of the Board's final offer being accepted would be influenced to a considerable degree by the miners' perception of the rate of inflation during the coming months and for 1983. It would clearly be most helpful if the Chancellor could publicly say something positive about this - with numbers - during the next week or two.

They also laid considerable stress on the point that the miners' vote could be considerably influenced by any improved offer made to the NHS ancillary workers. In particular, there was no likelihood of the miners voting to accept a lower percentage increase than is offered to NHS ancillaries. This problem would be less acute in the case of the nurses, for whom the miners in general had considerable sympathy.





Siddall and Cowan also made clear that, while they hoped that their proposals would avoid a strike, if one took place it was likely to be a long one.

A final offer of  $7\frac{1}{2}\%$  on base rates (equivalent to  $6\%$  on average earnings) would be nearly two percentage points below last year's settlement of  $9.3\%$  on base rates. Even a settlement of  $8\%$  would represent a clear reduction on that figure. Either figure would in fact result in a reduction in miners' earnings in real terms for the third year running.

If the miners accepted such an offer it would be a significant blow to Scargill. His members would have accepted an offer that was not only a small fraction of the 23-31% figure implied by the Conference resolution, but one that was less than Joe Gormley had managed to extract out of the Board last time round. Despite his protestations, Scargill would in effect have been drawn into negotiations. And, of course, for the second year running his membership would have rejected in a pithead ballot his recommendation to turn down the Board's offer and go for a strike.

Against this background I believe we should accept the Board's judgment that a final offer of between  $7\%$  and  $8\%$  on base rates will be needed if there is to be a reasonable chance of a satisfactory outcome in the ballot. Even at this level, however, the Board cannot be anywhere near certain of the outcome. Any lower offer would significantly increase the chances of a strike. I intend, however, to stress to the Board the importance of having their final offer before the men by one means or another even if Scargill refuses to have a second meeting.



SECRET



I am sending copies of this letter to the Chancellor of the Exchequer, the Home Secretary, the Secretary of State for Employment, Sir Robert Armstrong and John Sparrow. In view of its delicacy I shall be grateful if it can be given the usual restricted distribution.

*J.P. Armstrong*

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

9 September 1982

LONDON