

PRIME MINISTER

MINERS' PAY

At your meeting tomorrow afternoon, I think you will wish to discuss three aspects of this year's negotiations between the NCB and the NUM: the handling of the pay negotiations themselves; the level of coal stocks; and the level of ancillary stocks. I believe you have already seen MISC 57's report on the last two points. I understand that there will be a report from Mr Lawson about the NCB's intentions on the pay negotiations, following his meeting with them on 3 September; I have not yet seen that report, but I have been told what it will contain.

The Tactics of the Pay Offer

I understand that the NCB propose to open the bidding on 15 September with an offer of 5% on basic rates, and that they will be prepared to move to 7-8% on 5 October. These are the figures that the public will perceive, and that will set the trend for nationalised industry pay settlements; but as we know from previous years, the effect on average earnings will be lower by about 1½% because of negative wage drift.

I see no case for questioning these proposals. The figures are, if anything, lower than we expected; and although the NCB think there is a reasonable chance of winning the inevitable ballot, because there will certainly be a NUM executive recommendation to reject them, there must be some risk of a strike. Nevertheless, it has always been the Policy Unit's view that we have to be willing to endure a strike if we are to have any chance of achieving a moderate pay settlement, and that is what the work of MISC 57 over the last 2 years has been all about. My only doubts are about the timing, which seems likely to lead to a ballot in early November, and industrial action possibly beginning later that month. It might be worth asking Mr Lawson whether matters can be brought to a head more slowly. And it is important that the ballot itself takes place after the RPI has fallen below the level of the final offer.

The Level of Coal Stocks

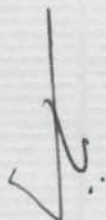
The weekly statistics say it all: we are well on target for 26 million tonnes by the beginning of November, which is better even than we planned for.

SECRET

The Level of Stocks of Ancillary Materials

To have achieved 24 weeks' worth of coal, but only 9 weeks' worth of ancillaries, is unsatisfactory. In due course, we must certainly ensure that we are in a better position next year (although we shall again be in the trap that there is never an appropriate time to make the necessary increase in storage capacity). The main issue for Ministers now is how the ancillary stocks can be replenished during industrial action. It is important to remember that our strategy of deterrence depends on miners' and the public's perception of the level of coal stocks, not of ancillaries, and we do not want to draw attention to this weakness in our plans. That argues strongly for leaving both consultations about the use of servicemen, and the beginning of construction for next year, until after the ballot.

I think Ministers need not be too depressed about the 9-week figure. There must always be a likelihood that initiative and enterprise at individual power stations will in practice enable replenishment to take place more fully than estimated; and, since industrial action ought to be confined to the pits, the use of servicemen to introduce essential ancillaries should be possible without too high a profile, and without alienating public support.



JOHN VEREKER

9 September 1982

SECRET