

subject



to Mark  
for 4A  
cc SO

10 DOWNING STREET

From the Private Secretary

10 September 1982

COAL INDUSTRY

The Prime Minister held a discussion about the coal industry this evening. Apart from your Secretary of State, the Chancellor, the Secretary of State for Employment, Mr. Jerry Wiggin (Parliamentary Under-Secretary of State for the Armed Forces), Sir Robert Armstrong, Mr. Sparrow and Mr. Gregson were present.

On the tactics to be adopted by the National Coal Board in their pay negotiations with the National Union of Mineworkers, your Secretary of State said that it was hard to predict the course of events. It might be that Mr. Scargill would not wish there to be any negotiation, but would stand on the 23-31 per cent claim, and put the Board's opening offer to a special delegate conference and a ballot. If this were to happen it would be best to proceed immediately to the Board's final offer. But it would be dangerous to assume that there would be no subsequent negotiation. Indeed, the men themselves would almost certainly expect some negotiation to take place. The Board's present thinking was that there would be a negotiation, and so they would not make their final offer at the meeting on 15 September. In Mr. Lawson's view, we could accept the Board's judgement that a final offer of between 7 and 8 per cent on basic rates might well be enough to win through a pithead ballot. The RPI figure which would be published on 15 October would be of crucial importance, since it was likely to be the last such figure published before the ballot.

Your Secretary of State said he was concerned, however, about the Board's intention of offering around 5 per cent on basic rates at the first negotiating meeting on 15 September. There must be a risk that the NUM would describe this as a derisory offer, less even than that available to the National Health Service workers, and would go straight to a ballot on this figure.

/After discussion,

SECRET AND PERSONAL

After discussion the Prime Minister said she shared Mr. Lawson's doubts about commencing negotiation at 5 per cent. This was primarily a matter for the Board. But they might be asked whether they had considered their tactics if this approach were unsuccessful. It might be better to start at 6 or 6½ per cent. She shared, too, Mr. Lawson's view of what might be a reasonable final offer. It had been helpful in recent pay negotiations that the Chancellor of the Exchequer had felt able, at the end of July, to predict a fall in the inflation rate to 7½ per cent. He should consider, with the Secretary of State for Employment, whether in advance of 15 October it would be prudent publicly to predict a lower figure by the end of the year.

The Prime Minister said that it was unfortunate that although coal stocks would now be sufficient to permit power station endurance of around 24 weeks, the stocks of ancillary materials could not be increased beyond 9 weeks' duration, the maximum permitted by available storage capacity. After discussion it was agreed that the Electricity Boards should be allowed to begin taking steps now so that storage capacity would be available to permit stocks of ancillaries to be increased to 20 weeks by November 1983, or sooner if possible. The cost, which the CEGB were prepared to absorb within their present EFL was about £30 million for the capital works and about a further £40 million for the increase in stocks of materials. It was recognised that the works would have a certain visibility. But the CEGB would carry them out in as low-key manner as possible, and no obstacle should be placed in the way of their commencing as soon as the CEGB desired.

There followed discussion about when consultations about the use of Servicemen to replenish stocks of ancillaries in power stations should begin. Such consultations, and preparation of a comprehensive plan to re-supply ancillaries to power stations might take up to three weeks. There must be some risk that if the consultations were postponed until very late in the day it might be discovered that there were practical difficulties about the Services carrying out this task. Summing up the discussion, the Prime Minister said that the consultations should not begin until after the pithead ballot. She would not, however, rule out informal and confidential discussion of the task between the Services and the CEGB if the Secretary of State for Energy thought it would be worthwhile himself to arrange the necessary meeting.

I am copying this letter to John Kerr (H.M. Treasury), Barnaby Shaw (Department of Employment), David Arnold-Forster (Ministry of Defence), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS). I should be grateful if you and they would give this letter the usual limited circulation.

*Yours sincerely,*

*Michael Scholten*

J. D. West, Esq.,  
Department of Energy.

SECRET AND PERSONAL