

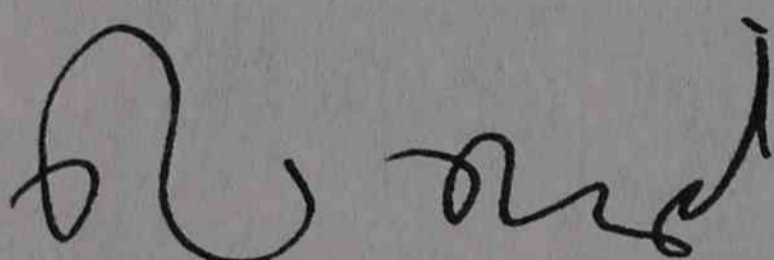
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NBP

01 211 6402

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LODNON  
SW1P 3AG

19 December 1985

**COALMINERS' PAY NEGOTIATIONS**

I am sorry not to have been able to let you and other colleagues know in advance how the NCB intended to play their meeting on 17 December with the NUM to discuss this year's pay settlement. In fairness, the need to consider the effect of their tactics on the position of the UDM does complicate the Board's task.

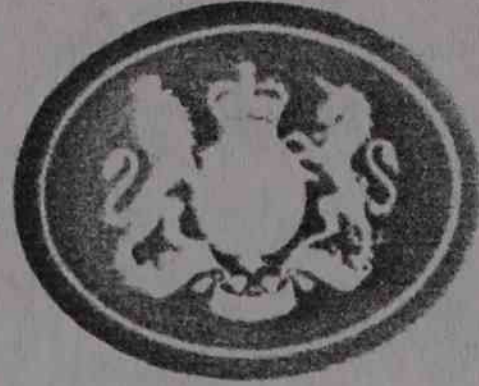
As reported in the press, the Board offered the NUM the same settlement as the UDM have accepted: £5.50 a week on grade rates, 50p a shift on the standard level of incentive bonus, and the possible later introduction of new incentive bonus arrangements. They had already announced that the 30p a shift retrospective attendance allowance was to be paid to all mineworkers who qualified for it.

However, the offer is conditional on the NUM's accepting changes in the rules of the Mineworkers' Pension Scheme. As you know, although there is doubt about the exact legal position it is arguable that the existing rules entitle members to benefits for the period during which they were on strike even though they paid no employee contributions. The Board regard this as clearly inequitable. They have proposed to the NUM that the rules of the MPS should be changed so as to allow unpaid employees' contributions to be made good over 5 years; those who did not avail themselves of this option would probably qualify for slightly lower benefits.

On merits, the Board have a very strong case. Even their current proposal is a great deal more generous than virtually any other pension scheme would permit; and it averts the risk that the Board could ultimately have to make good unpaid employees' contributions, at a cost of about £60m. Nevertheless, it will need careful presentation if Mr Scargill is not to be given an issue on which he could command significant support among NUM members, and perhaps more widely. I have emphasised to Mr MacGregor the importance of presentation.



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I understand that the NUM received the Board's proposals quietly: press reports to the effect that the negotiations have "broken down" are exaggerated. The NUM tried to separate the pay and pension proposals, arguing that the legal doubts about the exact effect of the rules of the MPS should be resolved by the courts before that issue was taken further. However, the Board refused to accept this separation; and the NUM now face a difficult tactical judgement, since the longer they delay accepting the pay offer - and they must realise that there is no possibility of the NCB offering them more - the greater the inroads the UDM are likely to make into their membership. No date has yet been fixed for another meeting.

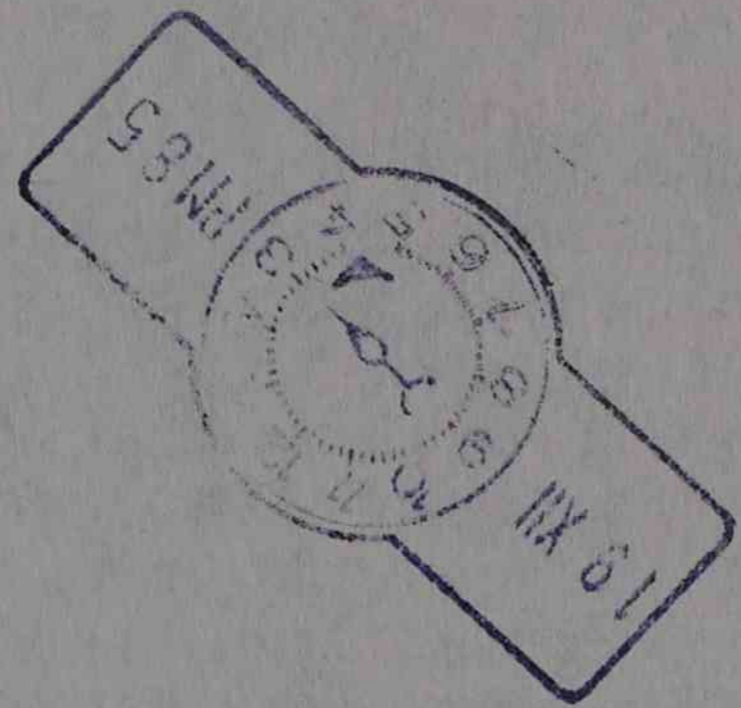
I am sending copies of this letter to the Prime Minister, the members of E(PSP) and the Secretary of the Cabinet.

A handwritten signature in dark ink, appearing to be 'P. Walker', with a large, stylized initial 'P' and a flourish.

PETER WALKER

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Prime Minister 2  
DLS  
9/12.

9 December 1985

*As usual*

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PAY IN THE COAL INDUSTRY

The NCB met the NACODS executive on 5 December to discuss this year's pay settlement. The outcome was that the Board made an offer of increases in the "upstanding weekly wage" of between 4.64-4.7%; flow-through of the increase of 50p a shift in the basic level of incentive bonus previously agreed with the UDM; and the retrospective bonus of 30p a shift for attendance between 1 April 1984 and 30 September 1985. The Board estimate that, if accepted, the offer will increase the pay bill by 4.62%.

I understand that the meeting, though lengthy, was cordial and businesslike. The NACODS executive intend to put the offer to a delegate conference. They did not commit themselves at the meeting to recommending the offer to the conference; but the Board's impression is that they are likely to do so. The meeting and the offer have attracted little or no publicity. The NCB are anxious that news of the offer should not leak before the NACODS executive has put it to the membership; and I should be grateful if you and the other recipients of this letter would ensure that it is treated with appropriate security in your Department.

As you will have seen from the Press, the NUM executive has written to the NCB giving an "unequivocal commitment" to accepting the Board's approach on pay, output and productivity. The Board expect to meet the NUM to discuss their pay claim on 17 December.

I am sending copies of this letter to the Prime Minister, the other members of E(PSP) and to Sir Robert Armstrong.

*Peter Walker*

PETER WALKER



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COAL

