

cepu



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
London  
SW1P 4QJ

NBPM

ALC6

W10

26 October 1988

Dear Secretary of State,

## UDM PAY

I was very concerned to read your letter of 21 October and to learn that on 18 October British Coal had offered a 2 year deal indexing pay increases to the Retail Price Index. I understand that on 21 October there was another meeting at which the UDM agreed to accept a deal along these lines subject to a ballot of their members.

As you will recall in my letter of 5 October I explicitly asked that we avoid a deal based on indexation and your letter of 11 October gave no indication that British Coal was unlikely to accord with this request. We both agree, I know, that indexation is inherently undesirable and, in this instance, it will produce also an excessive increase in the order of 6 per cent which could have most undesirable repercussions on wage negotiations elsewhere in the economy. Unless the UDM's concession on holidays can be shown to be of real value there must be serious doubt as to whether British Coal should have conceded such a deal.

It is very disappointing that British Coal did not follow the usual consultation procedures on this occasion. These would have allowed us to comment on the deal in the normal way before it was agreed. I very much hope we can prevent them doing this again.

I am copying this letter to the Prime Minister, members of E(PSP), and to Sir Robin Butler.

Yours sincerely,

P. Wainwright

PP JOHN MAJOR

[Approved by the Chief Secretary and signed  
on his behalf.]

Nat Ind: Coal  
Pr 21





CONFIDENTIAL

SPU



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

NBM

BACB  
28/10

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

28<sup>th</sup> October 1988

Dear Chief Secretary,

UDM PAY

Thank you for your letter of 26 October.

As you say the Corporation met the UDM again on 21 October and agreed a two year deal on the lines set out in my letter to you of that date. The details were published by the Corporation and for convenience I attach a copy of their press release together with some more detailed information they have since provided to my officials. The UDM Executive has recommended acceptance to the membership and the result of the ballot should be known in about two weeks time.

I note what you say about the deal but I said in my letter of 30 September that I would not propose to stand in the way of British Coal clinching an early favourable deal at around the current rate of inflation. I accept as did their negotiators that the Corporation's current financial position puts them in no position to be generous. I entirely agree that indexation of wage awards is generally highly undesirable. Nevertheless I believe that in the situation they face the Corporation have pulled off a deal that is for a number of reasons very favourable and I stand by my original judgement not to intervene.

First on the deal itself; the grade rate increases represent only just over 4% on the wage bill. The other three main elements all have compensating benefits to the Corporation. Abolition of fixed holidays will bring obvious potential for further advances in productivity though these will take time to build up as managers adapt to the additional flexibility it gives them for organising production schedules. The modest improvement in the incentive bonus should encourage an even faster increase in productivity over the 15% achieved so far in this financial year.

CONFIDENTIAL





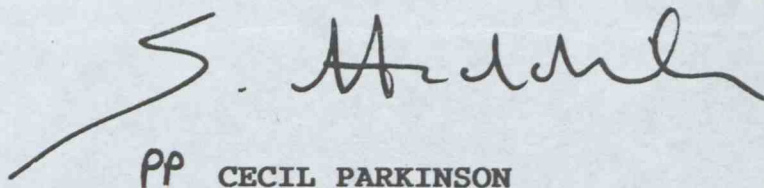
Even the equally modest change in the structure of night allowances incorporates a long overdue improvement in working practices in removing the anomalous payment of two hours at night rates to men working on the morning shift.

Second this agreement will bring enormous tactical advantage to the Corporation in their continuing industrial relations difficulties with the NUM. Coming in advance of a likely NUM ballot on industrial action (following next week's delegate conference) it will have a considerable impact on the result. The last two year deal with the UDM effectively boxed in the NUM and was eventually imposed on them. This one has every prospect of repeating that achievement.

The Corporation have just started negotiations with NACODS (who caused them so much costly industrial trouble during the last pay round). They met on 17 October for the presentation by NACODS of a claim amounting to a 14% increase on the wage bill. Nonetheless the Corporation judge that NACODS are not looking for trouble this time round. They intend to offer them at the absolute maximum an increase in percentage terms equivalent to that offered to the UDM. NACODS have not asked for a two year deal and the Corporation have no present intention of offering one. But negotiations proper will not get underway until after the result of the UDM ballot. I will keep you informed of developments.

Copies of this go to the Prime Minister, members of E(PSP) and Sir Robin Butler.

Yours sincerely,



PP CECIL PARKINSON  
(Approved by the Secretary of State  
and signed on his behalf)



Press Office (2463)

October 21 1988

## UDM RECOMMEND TWO-YEAR PAY PACKAGE TO THEIR MEMBERS

### 'A Good Deal' Agreed in Negotiations

After a series of negotiating meetings, British Coal have made a two-year pay package offer to the Union of Democratic Mineworkers which the union are recommending their members to accept in a ballot.

The offer includes for the first year:

- \* Across-the-board increases of £8.15 a week on all underground grade rates, and £7.35 a week on all surface grades. From November 1.
- \* Improvements to incentive-bonus pay, with a 25p increase on the incentive rate for standard performance to £7.25 a shift. Local schemes will be adjusted pro-rata as appropriate. From November 1.
- \* Restructuring of nightshift allowances with rates improved to 50p an hour between 6pm and midnight and 30p from midnight to 6am.
- \* A new £100 lump sum holiday payment. Colliery holidays to be translated into individual holidays so that, subject to local consultation by the colliery manager with the union, there will be no colliery closures other than a week in summer and a week at Christmas. Men will be able to choose when they have their main holiday of the year - from the holiday year starting next May.
- \* Two days paid compassionate leave on the death of an immediate family member.

more/

- \* The second stage of the two-year deal, starting on November 1 1989, includes a grade rate increase in line with the cost of living, and another 25p on the incentive rate for standard performance.

The two year offer applies to all mineworkers and National Workshops industrial employees at UDM majority units.

Deputy Chairman and Operations Director Mr John Northard, who led British Coal's negotiating team, said:

"With the constant downward pressure on coal prices, as demonstrated by the continuing price freeze for our supplies to the CEGB, the offer of two-year increases in wages has only been possible on the basis of the expectation of a continuing growth in efficiency and a commitment to changes in working practices to permit better use of plant and capacity.

"Though this negotiation has been very hard, it has been conducted by both sides in the spirit of a continued need to produce energy at competitive prices. The UDM's National Executive Committee are to recommend our final offer for acceptance by their members. We are confident it will be supported and seen as a good deal."

End



NAT. IND: Coal Rtr





CONFIDENTIAL

BRITISH COAL/UDM PAY AGREEMENT

<u>ITEM</u>	<u>* INCREASE IN WAGE BILL</u>
Improvements in surface and underground grade rates	4.1
25p increase in incentive bonus	0.7
Restructuring of night shift allowances	0.3
Holiday payment	0.8
Two days paid compassionate leave	negligible
	-----
Total	5.9%



CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF

5817

Telephone Direct Line 01-273 .....  
Switchboard 01-273 3000 Telex 915564  
GTN Code 273 Facsimile 01-273 5124

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

MBR

REC 6

7/11

Dear John.

November 3-

## UDM PAY

Cecil Parkinson's letter of 28 October points up the potential gains from British Coal's proposed deal with UDM in stimulating further improvements in productivity and in securing a tactical advantage over the NUM. These are clearly to be welcomed.

It is, though, essential to make sure that British Coal's use of indexation - in this case for two successive years - does not set a precedent. We are all agreed that indexation is undesirable in general principle. It rigidly ties employers' hands and as such is contrary to our whole approach, which is successfully emphasising the need to relate pay to performance and to changing market pressures.

Rather than impose the UDM deal as it stands on the NUM, I wonder whether British Coal might not be better advised to aim for a 12 month increase for the NUM, as well as NACODS, so as at least to leave some options open for next year? In any event, indexation in the public sector must not be allowed to spread.

The UDM package has been costed by the Corporation in terms of its effect on paybill, rather than on average earnings. I am asking my officials to establish the average earnings cost (first and full year) with Cecil's.

CONFIDENTIAL

CONFIDENTIAL



I am copying this letter to the Prime Minister, members of E(PSP) and to Sir Robin Butler.

*Yover* *N. Fowler*  
NORMAN FOWLER

CONFIDENTIAL





NAT / 100

COAC (RAY)

PT 21



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

CONFIDENTIAL

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

*Prime Minister*  
*You will be interested in*

*X selected.*

*Recd 21/10*

*21 October 1988*

*Dear John,*  
UDM PAY

*hap*  
I undertook in my letter of 5 October to keep you informed of developments.

The Corporation met the UDM on 18 October. The union had asked for an increase on wage rates of 1% above the October RPI. They also sought a range of improvements in other benefits and allowances including retirement at 55 on terms equivalent to the RMPS; salaried staff status for their membership (with equivalent benefits) and improved holiday entitlements. As against these demands the UDM offered to drop fixed holidays at all pits they represent. The Corporation have costed the total package at some £300m pa.

As indicated in my letter of 30 September the Corporation offered a two year deal based on the September RPI. The UDM were given the choice of taking the total sum represented by a 5.9% increase on the wage bill of its members as a straight increase on grade rates or as a lesser increase plus some of the less expensive items on their shopping list. I understand the UDM were willing to negotiate on this basis and discussion focused on grade protection (for highly paid employees such as face workers temporarily transferred for health or other reasons to lower paid jobs elsewhere) plus increases on night and standard incentive rates. The same formula would apply in the second year, which would be based on the September 1989 RPI.

Against this offer must be set the effect of UDM's holiday concession for which the Corporation have been pressing for some





CONFIDENTIAL

time. This is valuable not only for the potential it offers for further improvements in productivity in Nottinghamshire but also for the precedent established for seeking this change in the other coal fields.

X | You will also be interested to know that Bob Haslam has told me the Corporation intend to offer the UDM negotiating rights for the Margam development. No action on this is being taken for the time being; it is being held back as a potential inducement to clinch the pay deal.

I shall continue to keep you in touch with developments.

I am copying this letter to the Prime Minister, members of E(PSP) and Sir Robin Butler.

*Yours Sincerely,*  
*Cecil Parkinson*

CECIL PARKINSON

SNOW Ind - Coal Pr 21.





~~CONFIDENTIAL~~



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

11 October 1988

*Dear John,*  
UDM PAY

Thank you for your letter of 5 October.

The meeting between the Corporation and the UDM on 5 October went much as expected; the UDM presented a wide ranging and rather diffuse claim seeking a pay increase of something above the current level of inflation and a long list of proposed improvements in other benefits and allowances. But the Corporation made clear that meeting such a package was out of the question and requested the union to make a more specific claim identifying their priorities. A date for a further meeting was not set but it is likely to be within the next two weeks.

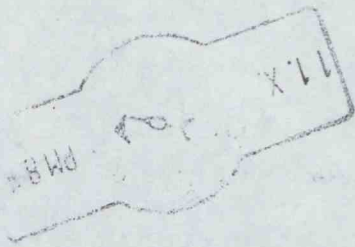
I have asked my officials to liaise closely with the Corporation on the handling of this claim and I shall continue to keep you in touch with developments.

I am copying this letter to the Prime Minister, Members of E(PSP) and Sir Robin Butler.

*Yours Ever,*  
*Cecil Parkinson*  
CECIL PARKINSON

CONFIDENTIAL

NAT IND Coal pt 21





CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
Millbank  
London  
SW1P 4QJ

NBRM

Recd

1/10

5 October 1988

Dear Secretary of State,

UDM PAY

Thank you for your letter of 30 September about this year's pay negotiations between the UDM and British Coal. <sup>attached</sup>

It is not entirely clear what the UDM are looking for, and I would be grateful for more details of their claim as soon as these become available. But from what you say they may be looking for another 2 year deal which indexes pay increases to movements in the RPI.

A two year deal would be acceptable provided the increase in the second year were lower than that in the first. But indexation is inherently undesirable and should be resisted. In any event, this year it could produce an increase of the order of 6 per cent which is excessive. Coming so early in the wage round it could have most undesirable repercussions on wage negotiations elsewhere in the economy. In any event, the industry cannot afford a straight pay increase of this magnitude. The Investment Financing Review (IFR) was based on an earnings increase of 4 per cent. I can see that you and British Coal may feel it necessary to go a little beyond this but, if so, it would be essential for the excess to be fully funded by additional productivity over and above the productivity targets we agreed for the IFR.

I am copying this letter to the Prime Minister, members of E(PSP) and to Sir Robin Butler.

Yours sincerely,

P. H. W. J.

PP JOHN MAJOR

[Approved by the Chief Secretary and signed on his behalf.]



CONFIDENTIAL



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

The Rt Hon John Major MP  
Chief Secretary  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

30<sup>th</sup> September 1988

Dear John,

UDM PAY

I understand from British Coal that they will be meeting the UDM on Wednesday 5 October for the first time this year to discuss pay. The UDM are keeping this year's pay claim close to their chest and will not release any details before the meeting. It is however believed that they will be seeking a two year deal on pay as well as a range of other improvements.

British Coal consider the meeting to be a range finding affair for both sides. There is however a remote chance that British Coal's negotiators will see advantage in reaching an early settlement. If British Coal do make an offer at the meeting it will be no more than around the current rate of inflation. On this basis I would not propose to stand in the way of British Coal clinching an early favourable deal.

I will, of course, keep you in touch with developments.

I am copying this letter to the Prime Minister, members of E(PSP) and Sir Robin Butler.

Yours  
Cecil Parkinson

CECIL PARKINSON

CONFIDENTIAL