

PAY-IN-CONFIDENCE



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

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

20th January 1989

Dear John,

Thank you for your letter of 13 January about British Coal's pay negotiations with NACODS and UDM.

You will since have learned of the vote by NACODS membership in favour of the Corporation's offer. This is a very satisfactory outcome and will considerably strengthen the Corporation's case in the arbitration on their similar offer to the UDM. British Coal have a number of powerful arguments in their favour, including those referred to in your letter, and I am sure they can be relied upon to deploy them fully.

I agree that exaggerated press reports of both pay offers were unhelpful. It is only to be expected that the unions will put an exaggerated if not inaccurate gloss on the figures. As I mentioned in my earlier letter, British Coal advised that the effect of the NACODS offer would be a 6% increase on average earnings. My officials have since probed this further with the Corporation and have provided your officials with detailed figures which support the Corporation's estimate.

I will continue to keep you informed of developments on the UDM front.

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

Yours Sincerely,
Cecil

CECIL PARKINSON

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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

7th November 1988*Dear Cecil,*

UDM PAY

Thank you for your further letter of 28 October on the settlement agreed with the UDM and the line British Coal propose to take on the NACODS negotiations. There are a couple of issues on which I would like to comment further.

On the UDM settlement it would be helpful if your officials could provide mine with full details of the productivity gains expected from the introduction of flexible holidays when these become available from British Coal. This information would be most useful.

On NACODS, I entirely agree with you that it must be right not to concede more than the 5.9 per cent given to the UDM. As you know, even this is more than I would ideally have liked, and I am sure you will wish to make it clear to British Coal that there can be no question of our relaxing their targets to accommodate the settlements they reach. The cost must be found from within British Coal's existing EFL and they will need to find offsetting savings to fund any excess costs arising from their negotiations.

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

Yours Ever,
John

JOHN MAJOR

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Treasury Chambers, Parliament Street, SW1P 3AG 18/1

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

13th January 1989

Dear Cecil,

BRITISH COAL: PAY NEGOTIATIONS

Thank you for your letters of 22 December and 5 January keeping me in touch with developments.

I am glad that the NACODS executive are recommending a deal in line with the one on offer to the UDM, and I hope their members will accept it. It is unfortunate that the UDM chose to describe their offer as being worth 7½% on earnings. Although my understanding is that this is incorrect, it could have unfortunate repercussions on the NACODS ballot if the NACODS executive provide a more accurate, lower figure, although I note that the press have reported the NACODS offer as being worth 7%. In any event, press reports of high settlements in the coal industry will have most unhelpful repercussions on other pay negotiations.

As to the UDM, I accept that British Coal's offer to go to arbitration was sensible in the circumstances. There is a risk that the arbitrator may award more, but as you say, having recommended the offer twice the UDM executive are in a difficult position. Presumably, the NACODS executive do not expect arbitration to produce anything or they would have awaited the outcome. I imagine that British Coal will make it clear to the arbitrator that given their financial position a higher award will have a penalty in increased job losses.

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

Yours Ever,

JOHN MAJOR

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

01 211 6402

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

5 January 1989

Dear John,

BRITISH COAL: PAY NEGOTIATIONS

NACODS

Our officials have been keeping in touch about British Coal's pay negotiations with NACODS. The two sides met again on 22 December following rejection by NACODS at their previous meeting of a two year deal on the UDM pattern. Accordingly British Coal offered a one year agreement costing 5.9% on the wage bill for NACODS members and equivalent to the offer to the UDM. I understand the effect on average earnings for this group of employees will be 6%.

Somewhat to the Corporation's surprise NACODS accepted the offer; it had been expected that they would await the outcome of the UDM negotiations before agreeing a deal.

I understand that the NACODS Executive will be unanimously recommending acceptance of the offer to their membership in a ballot to be held between 10 and 16 January with the result being known on 16 or 17 January. Details of the pay deal are attached.

UDM

Further to my letter of 22 December you may have seen press reports of the Corporation's meeting yesterday with the UDM. The Union has now agreed to take the pay issue to arbitration under the terms of the Conciliation Agreement. This will inevitably take some time to set up but I will continue to keep you informed of developments both on this and the NACODS fronts.

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

Yours *Ever,*
Cecil

CECIL PARKINSON

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DETAILS OF NACODS 1988/89 PAY SETTLEMENT

- a) £16 per week on the base rate for overmen;
- b) £15 per week on the base rate for deputies;
- c) An increase of 55p per hour on the weekend hourly rate for overmen (from £10 to £10.55) and 50p on the rate for deputies (from £9.45 to £9.95).
- d) A 12% increase in mid-week attendance bonus rates .
For example for full attendance an Overman's bonus will increase from £34.00 to £38.10 and a Deputies from £32.05 to £35.90. These increases are in line with a recommendation of the arbitrator in last year's National Reference Tribunal findings.
- e) Overtime payments to be eligible for superannuation purposes.

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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

22 December 1988

Dear John,

BRITISH COAL: UDM PAY

— will request if required.

Since I last wrote to you on 24 November you will have seen the press reports of the UDM membership's second rejection of a pay deal negotiated and recommended by their own Executive. British Coal have reiterated publicly that there is no more money available and have also said they would not object if the UDM took the issue to arbitration.

The Corporation recognise that there is some risk in this. But mutual agreement on arbitration with the result binding on both parties is the next step in their conciliation agreement with the UDM. This has long been held up as an example to the NUM and it would be extremely embarrassing for British Coal to oppose this move.

In the event the UDM Executive are reluctant to go to arbitration. Having twice recommended the settlement to their members one can see their difficulty. They are seeking instead to renegotiate the deal with the Corporation. I understand the Corporation will decline to do so though they will agree to any request for a further meeting.

The final outcome is difficult to predict. The UDM in line with their consistent policy have ruled out industrial action. If they refuse the option of arbitration the Corporation may have no alternative but to implement the deal for both the UDM and NUM but that would be a difficult decision for them.

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I will continue to keep you informed of developments.

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

Youngs *Ever,*
A. Paul

CECIL PARKINSON

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SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

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

28th 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.

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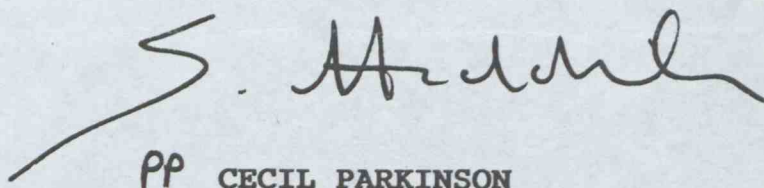
Even the equally modest change in the structure of night allowances incorporates a long overdue improvement in working practices in removing the anomalous payment of two hours at night rates to men working on the morning shift.

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

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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%