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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
London
SW1E 5HE

26 November 1990

[Handwritten signature]
MINEWORKERS' PAY

top

Thank you for your letter of 22 November. I am also grateful to Michael Howard for his of 15 November.

2. I remain very concerned about how matters may develop on mineworkers' pay. I understand that although you have explained our position to Bob Haslam, we are unlikely to hear about his proposals in time to give them proper collective consideration before he plans to make an opening offer. In the circumstances I thought I should write again in advance.

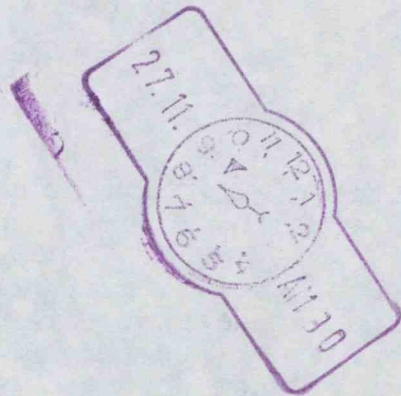
3. As presented, the merits of the case do not warrant a settlement above 10 per cent. A high settlement for this group could also be very damaging in terms of public sector pay policy generally. I note what you say about the possibility of industrial action, but I do not think this possibility justifies an excessive pay settlement. And, as you note, it is important to restrain pay in order to maximise the Corporation's competitiveness. This is surely a vital point for management to get across to the UDM.

4. If the opening offer Bob Haslam wishes to make is not aimed at delivering a settlement with a headline figure in single figures, I would be grateful if you would make every effort to dissuade him from proceeding with it.

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

[Handwritten signature]
NORMAN LAMONT

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THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
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23/11

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

22 November 1990

Dear Norman

MINEWORKERS' PAY

at Prop.
Thank you for your letter of 15 November. I have also seen Michael Howard's letter of the same date and that from the Prime Minister's office of 20 November.

I naturally appreciate the concerns that have been expressed. We should, however, acknowledge the particular circumstances and recent history of the coal industry which bear upon the conduct of pay negotiations. British Coal needs to be able to reach a deal with the UDM leadership which can be sold to the rank and file, who have a history of rejecting such deals at ballot while generally behaving reasonably and responsibly, by their own lights. I am sure we should be careful to avoid provoking the union into industrial action for the first time in its history.

The RPI increase tends, unfortunately, to be seen as a key marker in pay negotiations in the coal industry as elsewhere. Both sides have a natural interest in being able to say that any deal at least covers the current year-on-year rise in the cost of living - even if the actual increase in the wage bill, and hence in take home pay, is less, for instance because elements other than the basic rate have been increased by a smaller percentage.

I have made it quite clear to Bob Haslam that when evaluating the Corporation's opening offer to the UDM, now to be made on 29 November, he should have careful regard to the undesirability of linking pay increases to movements in the RPI, to the Government's desire to contain public sector pay settlements within single figures, and to the fact that the achievement of renewed productivity growth within his industry will in itself increase pay packets in real terms. I have stressed to him our hope that it will be possible for the opening offer to be pitched at a level below the September/October RPI increase of 10.9% on

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basic rates, with the aim of reaching a final settlement worth less than that amount. I have asked him to let us know in advance of the offer which British Coal finally wish to table.

The detailed content of British Coal's opening offer is unlikely to be decided until just before they meet the UDM, in order that any current developments can be taken into account. In this context, it is helpful that the NUM membership have rejected their leadership's call for industrial action in support of their pay claim. I believe that the Corporation's management is strongly motivated to achieve the lowest settlement possible. As we have seen in the recent Strategy Review, the future of the industry is very uncertain and will depend importantly on the tight control of costs in order to achieve a bottom line profit in difficult market conditions. Rising productivity will become harder to achieve over time, which means that there is a strong and continuing incentive to contain pay increases.

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

John Wakeham
John

JOHN WAKEHAM

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