

CONFIDENTIAL

THE RT HON JOHN WAKEHAM MP



Department of Energy  
1 Palace Street  
London SW1E 5HE  
071 238 3290

Prime Minister  
To note. An earlier round of correspondence put pressure on Mr Wakeham - to encourage a lower opening offer from British Coal, then BC deal in mind.

BHP  
3/12



The Rt Hon David Mellor QC MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

3 December 1990

See Davis

**MINEWORKERS' PAY**

Norman Lamont wrote to me on 26 November to express concern that British Coal's opening offer to the Union of Democratic Mineworkers should aim at delivering a settlement in single figures. The Corporation made its opening offer to the UDM last Thursday. This comprised an increase in basic rates of 8.3% which, taken together with increases in incentives, allowances etc, would mean an increase in the pay bill of less than 8.5%. This is very much in line with our wishes, which I had previously made clear to Bob Haslam, Chairman of British Coal.

In response to a UDM request for a further two-year deal, British Coal offered a second year increase based on the RPI applied to basic rates and incentives only, and not to other elements of the pay bill. The cost would therefore be significantly less than the RPI increase on the pay bill.

In briefing the press, British Coal referred to the offer as being "broadly in line with inflation" but mentioned no specific figure, nor did the UDM. Headlines referring to 10.9% are therefore regrettable journalistic interpretation. It has to be recognised, however, that any deal must be sold to the union membership, who will be balloted. Any suggestion that the offer was worth less than a cost of living increase would be counterproductive in this regard.

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British Coal is due to meet the UDM again on 8 December when doubtless the union will seek an improved offer. The Corporation will make it clear that the scope for further concessions is very limited - as is indeed the case if our guidelines are to be adhered to. My officials will keep yours in touch with developments.

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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CCP



n.5.p.m.  
JHP  
2/1

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

28 December 1990

Dear John,

*with BP/ will  
request if requested.*

**MINEWORKERS' PAY**

Thank you for your letter of 18 December.

2. Although the latest offer appears to be worth marginally below 10 per cent this year it would be difficult to regard a settlement on this basis as satisfactory. A 9.87 per cent settlement would be well above the recent average of settlements in either the public or private sector. This is hard to justify for an industry that is unprofitable and has few if any recruitment and retention problems.

3. It is welcome that the offer for this year is not based on the September RPI figure. But it is very unfortunate that the second stage of the offer should seek to reinstate index linking. I hope you will make clear to the new Chairman that it is not acceptable to retain a system under which mineworkers' pay increases have no regard to market forces.

4. I would be grateful if your officials would let mine have the detailed figures underlying the costings of the present offer.

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

DAVID MELLOR



LS. WAKEHAM

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Prime Minister

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To note. 'X' is unfirmate - to!  
private sector answer one a little better  
(Nissan 9.5%) ; + teachers pay remit  
implies 9%.

Department of Employment  
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5803  
Telex 915564 Fax 071-273 5821

Secretary of State

No further action needed.

RHP  
6/12

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

54 December 1990

Dear John

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**MINEWORKERS' PAY**

I have seen your letter of 3 December to David Mellor about British Coal's opening offer to the UDM. I am grateful that you were able to persuade Bob Haslam to pitch the offer below the level of what had earlier been proposed.

X I am nonetheless concerned that any revised offer at the weekend could be higher than we would wish. As you may have seen, postal workers have now overwhelmingly accepted Royal Mail's Letter's offer of 10.4%. That will undoubtedly set a damaging new target for other public sector workers and it would be highly unfortunate if that were exceeded by mineworkers. As I said in my letter of 26 November to the then Chief Secretary, a settlement below that level, and if possible in single figures, would be greatly preferable. It is important that we manage the level of public sector pay increases progressively downwards if we are to achieve our objective of greater pay moderation.

I very much share the hope expressed by Norman Lamont in his letter of 26 November that British Coal will deliver a headline figure in single figures.

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

Michael Howard

MICHAEL HOWARD



Employment Service · Training Agency  
Health and Safety Executive · ACAS

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