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~~to the Viscount~~

Prime Minister
Next Ind.

01 211 6402

TOP SECRET

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1

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31/10

31 October 1980

Dear Sir,

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I am writing to let you know about the latest developments in the coal pay negotiations.

As you know from the timetable given in my minute of 14 October to the Prime Minister, the National Coal Board will make a formal offer to the NUM next Thursday, 6 November. Their exact tactics at this meeting will depend on informal discussions with members of the union executive between now and then and on the atmosphere at the meeting itself. They are negotiating and must be ready to respond to developments in the negotiation. They intend however to open with an offer of around 10½% on basic rates. Depending on the course of the meeting, they would be prepared to increase the offer within a maximum of around 12½% on basic rates. I must emphasize that basic rates, and payments related to them, account for only about 80% of the mineworkers' pay bill. The ceiling of around 12½% on basic rates, if reached, would therefore represent an increase of around 10% in the pay bill, and in mineworkers' average wages.

I am sure that we must continue, as agreed at the Prime Minister's meeting last week, to leave the negotiations to the Board within their EFL. I shall of course keep my colleagues informed of developments. It is however of the utmost importance that this information about the Board's tactics should be kept completely secret.

I am sending copies of this letter to the Prime Minister and the Secretary of State for Employment only.

Yours
David