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30 September 1981

John Goff

MINERS PAY

I discussed this subject with Derek Ezra on 22 September in the course of an introductory meeting. It also came up when Joe Gormley and Lawrence Daly called on me at their request on 25 September. This letter reports on both meetings and on the position generally.

When I saw Derek Ezra I drew attention to the serious financial position of the coal industry and the key importance of a reasonable settlement with the NUM. Ezra said that in his view the workforce did not want trouble on the wage front, though some of the union leadership would obviously take a militant line. The Board's aim would be a settlement which was only just high enough to avoid industrial action. At the end of the day, he thought it might be possible to get a settlement which was just in single figures on basic rates but which resulted in a considerably lower increase on overall earnings, perhaps of the order of 7 per cent. But he emphasised that it would be quite unrealistic to aim for a 4% settlement. I reiterated the importance for the economy generally of a settlement that was low and could be presented as low, and expressed the hope that the Board would be more flexible on incentive payments than on increases in basic rates.

Other members of the Board, in particular James Cowan, the member who will lead the negotiations, have confirmed Ezra's view and suggest that overall the chances of a settlement along the line described by Ezra are slightly better than evens; though they have also warned us that it may be necessary to present the settlement as higher than it really is (as they did last year).

As you will have seen from the press, the NUM were not able to finalise their claim on 24 September, although its broad outline will follow the decisions taken at the Conference. While I avoided any discussion of pay issues with the NUM, Joe Gormley stressed their interest in certain non-pay



items, in particular in a reduction in weekly hours worked. It is too early to predict what part these might eventually play in the negotiations. The Board are already considering the possibility of offering a trial reduction in hours at a few pits, which would have to be entirely self-financing. Joe Gormley and Lawrence Daly also mentioned the union's desire for improvements in holiday pay and for 'salary status' for mineworkers.

I shall be keeping in close and regular touch with the Board about the negotiations in the coming weeks. The NUM will present their claim on 6 October when the Board will say how much money is available in total. The NUM will then ask for this figure to be converted into a formal offer. This offer, perhaps of the order of 6-7% on basic rates, will be tabled at a second meeting about a fortnight later. The Board will try to hold the offer as far as basic rates are concerned (though as noted above they may have to go higher eventually) and negotiate on incentives and non-pay items. As indicated above, the NUM may be receptive to this approach though their initial claim will stress cash.

Part of the Board's negotiating tactics this time round will be to announce an increase in coal prices early in October rather than, as previously, after a settlement. They will then argue that any further increase would be damaging. The details of the increase are still under consideration, but it is likely to be relatively modest and certainly below the current rate of inflation.

It is, of course, vital that the Board should not only remain in the driving seat in the negotiations, but should be seen to remain there. We must be particularly careful to avoid giving the inaccurate impression that the Board is under pressure from the Government to enforce some particular norm on the NUM. Initial misunderstanding in the Press about the scope of the 4% wage factor in public sector cash limits has not helped towards the attainment of a reasonable settlement. I think we must also be very careful in the next few weeks to avoid statements or actions which might unnecessarily exacerbate the position. For this reason we have written to Sally Oppenheim suggesting that the public announcement about the MMC reference, although not the start of work, should be postponed until after the pay settlement. It would also be very helpful if during the coming weeks colleagues could give me advance warning of any speeches or announcements which might have a bearing on the negotiations.

The information of the Board's negotiating position as described in this letter is of course extremely sensitive, and I would be grateful if colleagues could treat it accordingly.

I am copying this letter to the Prime Minister, the members of 'E' committee, the Secretaries of State for Scotland and Wales, Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'. The signature is written in a cursive, flowing style.

NIGEL LAWSON