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

13 November 1981

Dear Chancellor

MINEWORKERS' PAY NEGOTIATIONS

I am writing to let you have an account of the NCB's pay offer to the NUM on 11 November and the NUM's rejection of it on 12 November.

During the course of 11 November, the NCB improved their offer from £71 million to £99.97 million. The package comprises:

	<u>Cost, £ million</u> <u>(Rounded)</u>
i. 7.8% increase in all basic rates (this takes the lowest paid surface worker from £80.85 per week to £87.15, and a face worker from £111.95 to £120.65):	85
ii. An increase of 3.3% from £30 per week to £31 per week in the standard rate of incentive pay (men receive different proportions of this according to their work and performance):	7
iii. Provision of holiday bonus on an increasing scale for men with 5 years' or more service:	8
TOTAL	<u>100</u>

The offer of nearly £100m is equivalent to an increase of 9.1% on base rates. It represents an increase of 7.3% on average earnings. The Board's total pay bill would go up by even less, some 4%-5%, as a result of existing and planned reductions in manpower. The Board's offer is thus at the lower end of the bracket mentioned in previous reports, which is satisfactory.



For the time being attention will focus on the 9.1% figure. Indeed it has already attracted a good deal of attention in the press. From earlier exchanges, I know that you and other colleagues will be very concerned about the presentational aspects of this figure. In the light of the NEC's rejection of the offer, I believe it is most important that we do nothing to undermine the figure of 9.1% until after the pithead ballot. As indicated in earlier reports, any attempt by the Government to try to substitute now the figure of 7.3% for 9.1% would only heighten the chances of the pithead ballot rejecting the Board's offer. We are all agreed that this is an eventuality that must be avoided if at all possible. The Board are continuing to keep their counterparts in other Nationalised Industries, notably the water industry, fully informed about the offer and all its implications. In addition, John Moore will be discussing the presentational aspects with Derek Ezra and James Cowan in the next few days.

Despite Joe Gormley's strong support for the offer and his confidence on Wednesday evening that it would be accepted, the NEC in fact rejected it on 12 November. As foreshadowed in paragraph 2 of John Moore's letter of 10 November to you, the "maverick right" came out against the offer in order to prove their toughness in the context of the Presidential campaign. Chadburn described the offer as "totally inadequate" and Bell said it was "inadequate". Joe Gormley invited the NEC to recommend against the offer and put it to a pithead ballot. The left rejected this.

The NEC therefore proposed a further meeting with the NCB after Joe Gormley's return from holiday on 25 November. In accepting this the Board stated that "The Board have agreed to meet the NUM Executive Committee on November 25 but have made it clear that there can be no increase in the sum available. This is the most that can be found without jeopardising markets and investment and causing irreparable damage to the industry".

Derek Ezra has told my officials that the Board are adamant that they will not offer "another penny piece". They would prefer to maintain the present offer exactly as it is. If really pressed they would be prepared to agree to some of the £7m for the incentive payments being transferred to basic rates, but without increasing the total of £99.97m. The Board remain reasonably confident that if the existing or a slightly amended offer is put to a pithead ballot the likelihood is that it will be accepted regardless of whether the NEC recommend its acceptance or rejection. Sentiment in the coalfields is moderate at the moment. There are no signs of immediate industrial action.

The NCB are unclear about the likely timetable after 25 November. After a further NEC meeting the proposal could be put to an immediate pithead ballot, the result of which would be known within 10 days. It is just possible the Presidential ballot and wage ballot could take place simultaneously, which would save the union money. Alternatively the ballot could be delayed, perhaps involving further meetings between the Board and NUM, until after the Presidential ballot. This would be consistent with Joe Gormley's statement on 12 November that "It might be beneficial to get the election out of the way and get back on an even keel to deal with the problems". The Board are concerned that the process should not be too drawn out, as the miners might begin to get restive, if there is no settlement as Christmas approached. In these circumstances, some industrial action could not be ruled out. We are thus faced with a period of uncertainty.



It is important that throughout this period the Government should remain at a distance from the negotiations. At present there is no pressure from within the NUM to seek a confrontation with the Government, or to pursue the possibility of increased aid to the industry to allow a higher settlement. I would therefore repeat the request made in previous reports for you and other colleagues to continue to keep me informed, in advance, of any announcements, speeches, or other developments that might in any way affect the mood of the miners or the climate of the negotiations. Needless to say, we must all keep to the minimum possible our comments on the negotiations, and in particular avoid mentioning figures or percentages.

I am copying this letter to the recipients of previous reports.

Yours sincerely

Dad humley

PP NIGEL LAWSON

(Approved by the Secretary of State
and signed in his absence)