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PRIME MINISTER

As I told Cabinet this morning, I am very concerned about the decisions reached by E Committee yesterday on NCB finances.

2. The NUM would bitterly resent these decisions and in my view they could well lead to another confrontation with the union before the end of the year. They make sense only on the assumption that we are prepared for such a confrontation, and will see it through. I do not believe that we have decided to follow such a course, and the worst possible outcome would be a confrontation from which we retreated. The financial cost and the cost in terms of public credibility would be very high, as it was in February.

3. I believe that the NUM's reaction to these decisions would threaten our immediate objectives on coal during the remainder of the year. We have two such objectives:

- The first is to get closures resumed, and manpower run down, so as to reduce the industry's calls on public expenditure. Some progress is already being made in these areas. Two closures have recently been agreed by the unions - the first since February - and others are under discussion. Total redundancies are running at a much higher rate than last year. This is a start on the road back to sanity. It would be directly threatened if we play into the hands of the union militants. Industrial action over closures would become much more likely.

The second objective is to get a reasonable pay settlement on 1 November. This is all the more important

*How would
united help -
this?*



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to us this year for general economic and industrial reasons since the miners' settlement will come near the beginning of the public sector pay round and will set the standard for what follows. In my judgment, the 'E' decisions as they stand would make it far more likely that in the autumn we should be faced with a choice between an excessive settlement and a national strike.

Why?

4. I am especially concerned about the decision to hold the investment approval at £765m, which is a big cut - both in money and much more in volume on what they spent last year. It would force a stop to projects already in progress in the most obvious way in the coal fields. I would expect a very strong reaction to this decision, which the union would regard as inconsistent with the spirit of the undertakings given at the Tripartites. It cannot make sense to lay ourselves open to a charge of breach of faith at this point, and if this decision is confirmed I would be in an impossible position at the next Tripartite.

Play!
see them.

5. I also know that the union would react very strongly against presenting the main grant to the Board, which would cover the cost of the undertakings we gave them, as a deficit grant. This may be irrational but it is the way they think. A concession on this point would add nothing to public expenditure, but make it easier to resist other concessions which did.

6. I urge therefore that we should reconsider these decisions. There is no point in further discussions with the Board first. I am already more than fully aware of their views as they are of mine. My proposals were drawn up only after detailed discussions with them. We now have to tell the Board firmly of our Government



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decisions. The 'negotiating' has to stop. Even what I proposed in my paper is far from risk free. What 'E' decided guarantees, in my view, disruption and difficulty from which we would extract no gain whatsoever.

7. I am sending a copy of this minute to the Chancellor of the Exchequer.

D14.

Secretary of State for Energy

14 May 1981