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NAT. IND

Qa 05266

To: MR LANKESTER

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From: J R IBBS

Coal Tripartite Discussions

1. It is clear from E(81)25 that the tripartite discussions are still at a delicate stage and that, on the best possible outcome, the cost to HMG will be very large.
2. As the Chancellor has pointed out (his minute of 2 March) there is considerable uncertainty about the Board's figures, and the components need to be challenged. Furthermore, the precise extent of the commitments given by Mr Howell at the tripartite meeting has still to be defined. There is a danger that the NUM, especially the militants, may choose to imagine that they have been promised more than is in fact the case and they may use this to ferment further trouble with charges of bad faith. In particular, they may claim that the commitments were not just for the forthcoming year but extend indefinitely into the future (see paragraph 3(ii) below). It is important therefore that there should be no misunderstanding about what is, and what is not, on offer. But all parties to the discussions are well aware that Ministers are not prepared to risk industrial action and this has put Mr Howell into a nearly impossible negotiating position.
3. It is, nevertheless, important to salvage as much as possible. The CPRS believes that, as an exercise in damage limitation, it would be best for the Government to concentrate on three points in the further discussions:

(i) We agree strongly with the Secretary of State for Industry (his letter of 2 March) that the concessions should so far as possible be confined to the NCB itself to reduce the risk of repercussions in other parts of industry. Any interference with existing contracts entered into by BSC and CEGB should be kept to a minimum, even though they would be compensated to avoid financial loss. Intervention on coal can be justified on the grounds that 'coal is special'. For example, larger subsidies are given in other countries already and

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the costs of holding stock are higher than the marketing subsidies proposed. These are not cast-iron arguments but at least they offer some prospect of drawing a ring-fence round the coal industry. Any payments made to BSC or CEGB weaken this principle.

(ii) Mr Howell suggests - paragraph 4 of E(81)25 - that it is "important for us to avoid, if we can, extending our commitment beyond that year" (1981/82). In our view, it is essential that no commitment should be entered into for subsequent years. This would at least leave a ^{negotiating} card as a means of exercising a restraining influence on the course of the pay negotiations this coming Autumn - the next occasion on which the union will, if they wish, be able to engineer a confrontation.

(iii) We do not believe that Ministers need agree to all the items on the NUM shopping list. In our view, the unavoidable concessions were on closures and imports (already agreed) and some movement on redundancy payments. There should be no need to offer movement on other minor proposals set out in E(81)25 because it is unlikely that they would by themselves give rise to industrial action. However, some of them may be helpful as negotiating cards in the tripartite meetings, in particular to avoid a commitment for later years. For example, the oil to coal substitution scheme might be used in this way and it would be a mistake to concede it prematurely.

4. It has to be recognised that the NUM may seek confrontation, perhaps for political reasons, at the time of the next wage negotiations in the Autumn and it is not too soon to begin to consider what the Government's response should be. There has to be a sticking point beyond which the Government could not be driven and the Secretary of State for Energy might be asked to prepare a contingency plan.

5. Obviously, careful thought needs to be given to the presentation of the outcome of the tripartite meetings in order to minimise the impact elsewhere on industrial relations and wage claims, and on the credibility of general economic strategy.

6. I am sending a copy of this minute to Sir Robert Armstrong.

