PRIME MINISTER

cc IG (including attachments)

Context with draft at flag A?

MS 8/7

Yes pls.

Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

8 July 1980

Dear Nick,

LETTER FROM SIR NIGEL FISHER TO THE CHANCELLOR OF THE DUCHY

... I enclose a copy of a letter received by the Chancellor yesterday from Sir Nigel Fisher which foreshadowed a brief exchange with the Prime Minister recorded in col 42 of
... yesterday's Hansard (copy enclosed).

It is obviously important that a reply should go from the Chancellor to Sir Nigel as quickly as possible and certainly before the debate on the motion to give effect to the Government's decisions on Members' etc pay, which is likely
... to be held next Monday. I enclose a draft for this purpose, and should be glad to know whether it would be acceptable to the Prime Minister.

I am copying this letter and the enclosures to Murdo MacLean and also to Alan Williams (CSD), whose urgent comments would be welcomed.

Yours ever,

Robin

R A BIRCH

N Sanders Esq
Private Secretary
10 Downing Street
SW1

From: Sir Nigel Fisher,M.C.,M.P.

HOUSE OF COMMONS
LONDON SWIA OAA

4th July, 1980.

Dear Norman,

As you will by now know, the Executive of the 1922 Committee agreed at our meeting last evening to accept and support the 9.6% up-dating in Members Pay. Frankly, we feel a bit let down on this issue, but we appreciate that it is necessary for us to set an example of pay restraint in the public sector and also to show our total personal loyalty to the Prime Minister, which she has earned by her fine leadership and by her warm personal relations (so different from those of her predecessor!) with the Parliamentary Party.

May I suggest, however, one relatively easy way in which the pay pill could be sugared, which I proposed to the Executive last evening and which my colleagues unanimously supported: Hitherto Members pensions have been assessed at a notional figure, based on Boyle, in recognition of the fact that we are underpaid. We are <u>still</u> underpaid under the Government's present proposals, so it would be logical to continue to base our pensions on Boyle's figure rather than on the Government's pay proposal. This would have the additional merit of indicating to the public that we <u>are</u> still underpaid and are making a gesture in order to support the Government's pay policy for the public sector. It might also assist marginally in getting the 9.6% through the House of Commons.

No doubt Edward has already mentioned my suggestion to you and/or to the Chief Whip, to whom I am copying this letter, and I hope you may feel able to give this idea your support.

Yours ever Nigel.

The Rt. Honble, Norman St. John-Stevas.,M.P.,

HANSARD 7 JULY 1980

VOL 988, COL 42 .

Sir Nigel Fisher : Will my right hon. Friend bear in mind that both Ministers and hon. Members are underpaid in relation to any other comparable Parliament? Nevertheless, most of us are prepared to take our usual place at the bottom of the queue so as to set an example in the public sector. However, the least that we can expect is that Members' pensions should still be geared to the notional figure based on Lord Boyle's report instead of to the lower figure now proposed by my right hon. Friend. That would be in accordance with precedents during the past few years. It would help to sugar the pill that we are being asked to swallow.

The Prime Minister : Hon. Members' pensions are geared to £12,000, which is the figure for the third stage. We are updating that figure to 13,150, which increases the £12,000 by 9·6 per cent. We are gearing the pensions to that figure. To go beyond that would presume upon the results of next year's updating. I do not think that that would be wise. It is right to gear the pensions to the figure that we shall place in the motion that will be put before the House for its approval.

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DRAFT LETTER FROM THE CHANCELLOR OF THE DUCHY OF LANCASTER TO SIR NIGEL FISHER, MC, MP

Thank you for your letter of 4 July and for the indication of support which you gave. This is most welcome, and I know that it is warmly appreciated by the Prime Minister as well as by her Cabinet colleagues.

You did of course raise on the Floor of the House on Monday the point about Members' pensions, and you will recall that the Prime Minister, in her reply, said that we are raising from £12,000 to £13,150 the third stage figure for Members' pay, on the basis of which pensions will be calculated. As the Prime Minister said, to go beyond that would presume upon the results of next year's up-dating. Given the decisions which we have taken about Boyle's recommendations, it would not now be practicable to use a figure of £13,750 as the basis for calculating pensions, since we have not accepted this as the third stage payment due to Members, and it would be inconsistent to allow this figure for pension purposes without first accepting it as the "rate for the job". I hope, however, that you and your colleagues on the Executive of the 1922 Committee will feel that what we have done goes as far as possible to meet your point about pensions, given the framework of the Government's decisions on this very difficult subject.

I am sending a copy of this letter to Michael Jopling.