



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

14 April 1980

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1

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Dear Jim.

FAIR WAGES RESOLUTION: CENTRAL ARBITRATION COMMITTEE

Thank you for sending me a copy of your letter of 12 March to Geoffrey Howe about the Fair Wages Resolution (FWR).

We should not underestimate the damage done to industry by the retention of FWR. Since I brought to your attention the complaints from Ford and British Shipbuilders, we have heard of similar comments from Alfred Herbert Ltd. As you will see from the enclosed copy of their letter to the President of the Machine Tool Trades Association, they assert that the decisions of one 'Schedule 11' and two 'Fair Wages' hearings in 1977 in favour of employees were based on misleading comparisons and cost Alfred Herbert £1.2m (after allowing for 'ripple' effects) and considerable work.

I therefore support Geoffrey Howe's suggestion that officials jointly look into the timetable for repealing FWR. They could also consider, if indeed we cannot repeal it before 1983 (a year after the denunciation), whether there could be transitional arrangements to make it less onerous for industry in the meantime. 3 years is a very long time! Such a study would enable us to take an informed decision on FWR quickly in the light of the debate on Schedule 11 during the course of the Employment Bill.

I am sending copies of the letter (but not of the enclosure) to the Prime Minister, to other members of E and to Sir Robert Armstrong.

Yours ever,

Ken

14 APR 1960

