



10 DOWNING STREET

From the Private Secretary

8 November 1982

Dear Margaret,

THE MEGAW REPORT

The Prime Minister has studied the Chancellor's minute of 4 November about the conclusions of the Ministerial Group on the Megaw Report (MISC 83).

The Prime Minister has commented that, before she can take a view as to whether the Megaw recommendations are an acceptable basis for negotiations on a new pay system, she will wish to be satisfied that the safeguards to which the Chancellor refers can be made adequate. She hopes, accordingly, that further work by officials can be done on:

- (i) the definition of the circumstances in which suspension and termination provisions might be brought into action, the period of notice, and whether such suspension should require the consent of the House of Commons;
- (ii) the extent to which a system incorporating regular annual reviews can be reconciled with the avoidance of regular annual awards: the Prime Minister also wonders whether we should be encouraging the Review Bodies to move away from automatic annual increases;
- (iii) the possibility of charging the proposed Pay Information Board with responsibility for taking recruitment and retention data, and job security, into account before reaching the conclusions of its comparability work.

The Prime Minister will wish the issue to be discussed in E Committee once this further work has been completed.

I am sending a copy of this letter to the Private Secretaries to members of the Cabinet, the Attorney General and the Lord Advocate, and to John Sparrow and Sir Robert Armstrong.

Yours sincerely,

Miss Margaret O'Mara,
HM Treasury.

Michael Scholar

B/F

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G/c J. Vereker