

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

SV
Prime Minister (2)

MUS 29/4

The Rt Hon Sir Geoffrey Howe QC MP
The Chancellor of the Exchequer
HM Treasury
LONDON SW1

28 April 1982

Dear Chancellor,

POWER ENGINEERS' PAY NEGOTIATIONS

In his letter of 15 April to Leon Brittan, David Mellor mentioned that the Electricity industry expect a difficult negotiation with the power engineers this year. At the latest meeting on 20 April the Electricity Council avoided making an offer, pending the result of the NJIC ballot which is due on 12/13 May. They expect to be under great pressure to make a final offer at the meeting of the NJB on 18 May.

John Lyons has made it clear that the engineers and managers (NJB/NJM) will not be content to have their salary scales compressed between the industrials at one end, and Area Board Deputy Chairmen at the other. The EPEA intend to resist tapering in the NJB scales as a minimum objective, possibly with industrial action. The Council believe they have plans ready to reduce the use of large, efficient plant through, for example, work to rule measures. Such disruption could lead to large extra costs, without necessarily hurting electricity users.

The Council are now considering their offer. To avoid tapering in the NJB/NJM scales they would need to offer increases amounting to 6.6% throughout. However, given their assumption that Area Board Deputy Chairmen salaries will not increase by more than 4%, this would imply the re-emergence of reverse differentials. They vigorously wish to avoid this and to preserve the small gap created by the increase which we made, exceptionally, in Deputy Chairmen salaries last year.

The Council are pressing for information about the likely award to Deputy Chairmen in order to help them tailor their offer on 18 May. They calculate that an award of between 5 and 6% would enable them to avoid any tapering, at least in the NJB part of the scale. I do not propose to invite them to make any different assumption about Deputy Chairmen salaries. If they believe the threat of industrial action to be a real one they will need to minimise the tapering of NJB/NJM scales. Should this result, in the event, in some slight reverse differential re-emerging for some Area Board Deputy Chairmen, this will have to be accepted as the lesser evil. Subject to your views, I shall be advising the Chairman of the Electricity Council in this sense.



I am copying this letter to the Prime Minister, other members of E,
George Younger, Sir Robert Armstrong and John Sparrow.

[Handwritten signature]

J.P. Clough

NIGEL LAWSON

(Approved by the Secretary of State
and signed in his absence)

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