



Prime Minister (2)

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Very disappointing
encouraging
MUS 2 1/2
To WME S.O. orally
MUS 2 1/2

21 February 1983

Dear Geoffrey,

NATIONALISED INDUSTRY PAY

During the discussion on nationalised industry pay last December, sponsor Ministers were encouraged to write to the Chairmen of their nationalised industries to stress the need for low pay settlements in the public sector.

As you are aware, the three Scottish nationalised industries have only a limited influence on the nationally negotiated pay settlements which affect their employees. Nevertheless, Alex Fletcher and Allan Stewart have written to the Chairmen of the two Scottish Electricity Boards and the Scottish Transport Group respectively, exhorting them to use what influence they have to achieve lower settlements.

In the case of the Electricity Boards, the Chairmen have acknowledged the need for restraint, particularly when there is to be no increase in average electricity tariffs in 1983-84. They will therefore play their part in holding pay increases to a minimum whilst seeking to avoid damaging industrial action. In his letter of 1 February Nigel Lawson outlined the Electricity Council's opening position and no doubt he will continue to keep us informed of developments.

As for the STG, a settlement of 6% has already been agreed for NUS staff within the Group's shipping subsidiary, Caledonian Macbrayne, but this affects only a small proportion of STG's labour costs. The main negotiations are for bus staff where, I understand, national negotiations have opened with a union bid for 13% plus improvements in allowances and conditions of service. Whilst there is clearly a wide gap between this and what we would regard as an acceptable settlement, the negotiations have just begun and, for his part, the Chairman of STG has confirmed his aim to keep the settlement as low as possible.

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

Yours wvs,
Cawye

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