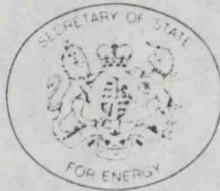


PAY IN CONFIDENCE
THE RT HON JOHN WAKEHAM MP



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The Rt Hon Norman Lamont MP
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4 April 1990

See Notma

BNFL: 1990 PAY ROUND

BNFL has now put together their detailed negotiating strategy for this year's pay round. Preliminary meetings are planned with the industrial unions on 19 April, and the non-industrial unions on 25 April. As in previous years it is not expected that these meetings will reach a settlement and further meetings have been arranged in May and June. The settlement date is 1 June.

The industrial unions have made a claim for a substantial but unspecified increase based on the increase in the cost of living, and the need to catch up with the terms agreed for the non-industrial unions after last year's pay dispute. The non-industrial unions have yet to make a claim.

BNFL are proposing to make an opening offer of 8.25% on basic rates, but not on bonuses which would only increase in line with inflation. The effect of a settlement at this level on the 1990/91 pay bill would be 6.8%, with 8.2% in a full year. BNFL believe that 8.25% is the minimum needed to avoid an immediate call by the unions for a strike ballot. If necessary they are then prepared to negotiate up to 9%, but may need to go slightly above this if the unions play heavily on the impact of the Gardner Report. Given the severe retention and recruitment problems the industry faces, the effects of the Gardner Report, and the fact that the electricity industry negotiations have now reached 8.5%, BNFL's proposal seems a realistic and sensible approach.

RETENTION AND RECRUITMENT PROBLEMS

Treasury are aware from last year's pay round of the extreme recruitment and retention problems that the Company faces. Despite the improvements in flexibility, promotion prospects, training and merit pay introduced following last year's pay dispute with the non-industrial unions, the position has worsened over the last 12 months.



There are problems at all BNFL sites. Their Engineering Division based at Risley has annual turnover rates ranging from 14-23% for professional engineers, to 40% for draughtsmen. THORP Division, the manning of which is essential to the successful completion of the plant and a good return on £1.8 billion of investment, has a turnover rate of over 15%. In the enrichment plant design office at Capenhurst the turnover rate over the last 12 months has been 30%, and for health physicists at Springfields and Capenhurst the turnover rates are 33% and 45% respectively.

The Company is also having difficulty recruiting staff to fill existing vacancies, and attracting people to man the large number of plants which will become operational at Sellafield over the next few years. The Gardner Report has further exacerbated the problems of recruitment at Sellafield. A recent recruitment drive for 250 operational staff led to a very poor response, and two external advertising campaigns for process engineers were completely abandoned because of the lack of response. The Company has been unable to recruit sufficient accountants for their audit management and management accounting work, and this is particularly worrying given the accounting changes needed with the introduction of fixed price trading.

Pay rates alone are not the only problem, and this is fully appreciated by the Company. They are, as you know, doing more to increase the autonomy of the business divisions and this is reflected in local pay flexibility and productivity schemes. These are working particularly well with all sites meeting their productivity targets last year. The overall level of salaries does however inevitably play a major part when it comes to retention and recruitment. BNFL has evidence of comparable pay rates in some of the local companies that have been recruiting BNFL staff. These are summarised in the attached table. They have also been advised by specialist recruitment companies that the salary levels and fringe benefits that they are currently able to offer do not match up to that available elsewhere.

I am copying this letter to the Prime Minister, members of E(PSP) and Sir Robin Butler.

John Wakeham
John

JOHN WAKEHAM



COMPARABLE PAY RATES FOR CRAFTSMEN AT COMPANIES WHICH ARE ATTRACTING
BNFL STAFF
(BNFL MAXIMUM RATE £195.52)

<u>COMPANY</u>	<u>CRAFT MAX PAY RATES</u>	<u>% DIFF.</u>	<u>NEAREST BNFL SITE</u>
Bass Brewery	£213.75	9.3	Capenhurst
Lever Bros	£254.22	23.0	Capenhurst
Nuclear Electric	£225.40	13.3	Industry Comparison
Consolidated Bathurst (Ex. Bowaters)	£277.70	42.0	Capenhurst
Ford Motor Company	£219.88	12.4	Capenhurst
Laporte Chemicals	£222.00	13.5	Risley/Capenhurst
Pilkingtons	£244.00	24.8	Risley/Springfields
Shell Chemicals	£266.00	36.0	Capenhurst/Risley
British Aerospace	£221.97	13.5	Springfields/Capenhurst
Marconi	£230.00	17.6	Capenhurst/Risley
Vauxhall Motors	£215.48	10.2	Capenhurst/Risley
Marchon	£209.79	7.3	Sellafield
Kamira Ince	£217.07	11.0	Springfields/Risley

Turnover of craft workforce at main BNFL sites.

Springfields	14%
Chapelcross	15%
Sellafield	20%
Capenhurst	22%