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Submit whatever evidence the Chancellor wishes - but

I see no point in arguing we are adding to the evidence. The point is that we honour

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

Prime Minister

①

Please see John Vercher's note to you of 7 April,

whose conclusion he

still strongly endorses.

Agree now to E(PSP)'s

conclusions (para 3 at plug A)?

PLS 27/9

we honour the AFPRB award.

PRIME MINISTER

The point is nothing more in principle with regard to policy the A-F's pay when not.

ARMED FORCES PAY

On 6 April I sent you a minute reporting the conclusions of the Ministerial Sub-Committee on Public Service Pay (E(PSP)) on the subject of the Armed Forces ... Pay System: for convenience, I attach a further copy. You Private Secretary's letter of 13 April to mine asked for the matter to be re-submitted to you after the Falklands situation had calmed down.

2. This I am now doing.

3. Although the question of appointments to the AFPRB, raised in paragraph 4 of the minute of 6 April, is no longer immediately relevant, I do not think that the passage of time has affected the arguments in the rest of the minute. This year's recommendations by the AFPRB were relatively modest; and it could be argued that there was no need to do anything that might be interpreted, however unfairly, as criticising the AFPRB or calling into question our commitment to the Armed Forces. But we should have no difficulty in rebutting any criticism on these lines; and in view of the need to continue to emphasise the importance of market factors in current public service pay negotiations, in negotiations following the Megaw report, and in the formative stages of the current pay round, I think we should go ahead as E(PSP) concluded.

4. I am sending copies of this minute to the other members of E(PSP), to the Home Secretary and the Secretary of State for Defence and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

22 September 1982

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cc: DES LPSO CPRS
DOE D/M bc: JV
WAO HD
DHSS MOD
CSO CO

10 DOWNING STREET

From the Private Secretary

30 September 1982

Dear Margaret,

The Prime Minister was grateful for the Chancellor's minute of 22 September, in which he reiterated his proposals of 6 April on the subject of the Armed Forces pay system.

The Prime Minister agrees that the Government evidence to the Board could in future concentrate more on affordability and market factors, as proposed in the Chancellor's minute. But she sees no point in announcing that the character of the evidence would be changed in this way. She has commented that these points are in fact of more importance in regard to police pay than to the Armed Forces' pay. The Prime Minister has further commented that there ought to be no problem about the Government being construed as criticising the AFPRB or as calling into question the commitment to the Armed Forces: the point to take here, in the Prime Minister's view, is that the Government has honoured and will honour the AFPRB awards.

I am sending copies of this letter to the Private Secretaries to the other Members of E(PSP), John Halliday (Home Office), Richard Mottram (Ministry of Defence), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholar

RE

Miss Margaret O'Mara,
HM Treasury.

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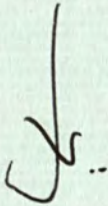
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MR. SCHOLAR

cc. Mr. Mount

ARMED FORCES PAY

Under cover of his note of 22 September, the Chancellor re-submits his minute of 6 April, recommending that the Government announce this autumn a significant change of emphasis in its future evidence to the AFPRB. You will recall that this proposal emanated from an Official Group, in which I participated, and that it is one which I strongly support. I would be grateful if, when you put the Chancellor's latest note to the Prime Minister, you ^{would} also re-submit my note to the Prime Minister of 7 April, which endorsed the conclusions of both the Group and the Ministerial Committee.

24 September 1982