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Treasury Chambers, Parliament Street, SW1P 3AG
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The Rt Hon John Nott MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

29 November 1982

John

LONDON WEIGHTING FOR THE ARMED FORCES

Thank you for your letter of 12 November. ^{attached} I am sorry that you thought my suggested revised version of the evidence for the Armed Forces gave the impression that we were leaning on the AFPRB to ignore the Department of Employment indices. I think it has to state the plain facts that the indices are based on expenditure patterns which are now out of date, and to refer to Norman Tebbit's statement in the House on 19 October, which set out the Government's current policy on London Weighting. The AFPRB are, of course, entirely free to make up their own minds about how relevant these facts are to the circumstances of the Armed Forces.

I of course accept that the Board are looking at a period which ended six months before the decision to abolish the indices. But the policy considerations in the statement apply irrespective of the timing. And in any case we agreed to adopt, and have adopted, a rigorous approach to the 1982 "round" of London Weighting settlements. The recent settlement for the non-industrial Civil Service averaged some 9 per cent below the levels which would have been indicated by conventional application of the indices. We hope that London Weighting for teachers and NHS staff will similarly be settled at levels well below the indices and in line with what has been achieved for the Civil Service. The Police have had their total London allowances increased by less than 7%. It would be odd to treat the Armed Forces differently.

That said, I entirely take your point that market forces are difficult to apply directly to the determination of London Weighting for the Armed Forces who do not recruit specifically for London. But this does not mean that the only course is to revert to considerations of cost compensation, a factor which



the Government has now stated justifies less emphasis. A relevant consideration is the increase in London Weighting agreed for public services where market factors do directly apply. That is why I attach importance to the inclusion of a reference to the Civil Service London Weighting settlement. But I would be quite happy to modify paragraph 3 of the evidence to meet your point about market forces. I am ready too to drop the reference to the details of the 1974 Pay Board Report, which were quoted in the Treasury's earlier version. And if you think its better to quote Norman Tebbit's Statement in an Annex, rather than in the text proper, I am happy to agree to that too.

Finally, I entirely agree with you that this matter is taking far too long to settle. (The longest delay seems in fact to have been the six weeks that followed your receipt of Leon Brittan's letter of 3 September! But your people were no doubt awaiting Norman Tebbit's Statement to the House on 19 October). We are concerned with a simple statement of fact and an agreed Government policy. I hope we can strike a deal on the attached compromise text, which includes the concessions described in paragraph 3 above, and should I think go to the AFPRB very soon.

Copies of this letter go to members of E(PSP), to Sir Robert Armstrong, and to Mr Scholar at No. 10.

A handwritten signature in black ink, appearing to be "G. Howe".

GEOFFREY HOWE

PROPOSED EVIDENCE

1982 PAY REVIEW - LONDON PAY

As the Review Body will be aware, London pay for the Armed Forces is currently based on the formula proposed by the Pay Board in the Report on London Weighting, Cmnd 5660. The current calculated annual rates together with the actual daily rates at present in issue are given below:

	<u>Inner London</u>		<u>Outer London</u>	
	<u>£pa</u>	<u>£(daily)</u>	<u>£pa</u>	<u>£(daily)</u>
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	786.66	(2.16)	407.84	(1.12)

2. London Weighting indices up to April 1982 were published in the Department of Employment Gazette for June 1982, Volume 90 No. 6. For the information of the Review Body, calculations based on this format, which are shown at Annex A, would produce an average increase of 9.4 per cent. Details of the numbers in receipt of London Pay, together with current costs, are given at Annex B.

3. For many other public service employees, London Weighting was settled last year at levels below the Department of Employment indices. The Government has now decided to discontinue publication of the indices for the reasons explained in a statement to Parliament on 19 October 1982 by the Secretary of State for Employment: text at Annex C. The Government invites the Review Body to have regard to its general strategy in this field in framing its recommendations.

4. The Government has taken similar action in its negotiations with the Council of Civil Service Unions about this year's London Weighting settlement for the non-industrial Civil Service. As the Review Body will have seen, the outcome was an agreed settlement with the unions at levels averaging some 9 per cent below those which would have been indicated by a conventional application of the Department of Employment's indices.

UPGRADING OF LONDON PAY - DETAILED CALCULATIONS

calculations shown below reflect the Guidance in Appendix VI of the Pay Board report

Formula: 1974 Difference X $\frac{\text{Index}}{100}$ X Basic Rate of Tax $\frac{100}{70}$ (except wear and tear).

	<u>Inner</u> £	<u>Outer</u> £
i) Other Costs $54 \times \frac{327.6}{100} \times \frac{100}{70}$	252.72	252.72
ii) Wear and Tear $105 \times \frac{301.3}{100}$	316.36	
$24 \times \frac{301.3}{100}$		72.31
	569.08	325.03
iii) Housing $95 \times \frac{208.6}{100} \times \frac{100}{70}$	283.10	
$54 \times \frac{142.2}{100} \times \frac{100}{70}$		109.70
Sum of (i), (ii) and (iii)	852.18	434.73
	£pa (£ daily)	£pa (£ daily)
before new basic rate:	569.08 (1.56)	325.03 (0.89)
owner occupier rate:	852.18 (2.33)	434.73 (1.19)

CURRENTLY IN RECEIPT OF LONDON PAY AND COSTS

	<u>INNER LONDON</u>		<u>OUTER LONDON</u>		
	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	
<u>Numbers</u>					<u>TOTALS</u>
RN	1127	100	1120	122	2469
ARMY	3410	692	3848	268	8218
RAF	771	612	3223	383	4989
	<u>5308</u>	<u>1404</u>	<u>8191</u>	<u>773</u>	<u>15676</u>
<u>Current Cost (\$)</u>					
RN	0.584	0.079	0.331	0.050	1,044
ARMY	1.767	0.546	1.138	0.110	3,561
RAF	0.399	0.482	0.952	0.157	1,990
	<u>2.750</u>	<u>1.107</u>	<u>2.421</u>	<u>0.317</u>	<u>6,595</u>

there is no evidence of adverse effects. For this reason it recommended, in addition to new control limits, an overriding requirement to reduce exposure to the minimum that is reasonably practicable, and this requirement has been applied by the Factory Inspectorate in enforcement of the existing legislation on asbestos.

The Health and Safety Commission, in considering the new control limits to be introduced from 1 January 1983, bore in mind the advisory committee's recommendations and emphasised, in its announcement of the new limits, that these are not absolutely safe levels.

Mr. Ernie Ross: asked the Secretary of State for Employment how many recommendations have been made by the Health and Safety Executive in the past three years regarding the reduction of asbestos levels in the air; and, to date, how many have been carried out.

Mr. Waddington: The Health and Safety Commission's advisory committee on asbestos, in its final report published in 1979, recommended more stringent control limits for exposure to asbestos in air at the workplace for chrysotile—white asbestos—and amosite—brown asbestos. These recommendations were that the limit for chrysotile should be halved to 1 fibre/ml of air and that the limit for amosite should be reduced from 2f/ml to 0.5f/ml. The limit for crocidolite was to be maintained at its current level of 0.2f/ml. Since the report, considerable progress has been made in British industry towards achieving these limits, and they will become effective on 1 January 1983.

The advisory committee also recommended the scheduling of asbestos works to enable stricter control of emissions of asbestos dust into the atmosphere. The Health and Safety Commission will shortly be sending proposals for regulations to implement this recommendation to the Secretary of State for the Environment.

It was originally the Government's intention to implement the ACA's recommendations through the proposed European Community directives currently under negotiation, but slow progress on the directives has led the HSE to conclude that action should be taken now. The HSC will consider whether further action should be taken if the results of current reviews on the developments in medical knowledge and the means of controlling exposure show this to be necessary.

Lyons Maid, Liverpool

Mr. Parry asked the Secretary of State for Employment if he will make a statement on the discussions his Department has had with representatives of the workers from the Lyons Maid factory in Liverpool.

Mr. Waddington: I met a deputation from the Lyons Maid Liverpool action committee on 14 October.

The deputation outlined the current situation at the factory, and summarised the various methods it had been exploring with Lyons Maid management and local interests to try to keep the factory open. I pointed out that it is Government policy not to interfere in the commercial judgment of firms. However, I have since written to Lyons Maid informing it of the meeting.

Mr. Parry asked the Secretary of State for Employment if he will make a statement on employment consequences of the proposed closure of the Lyons Maid factory, Liverpool.

Mr. Waddington: I understand the Lyons Maid factory in Liverpool, which is due to close on 3 December 1982, employs 357 workers at present. It is not possible to give any realistic estimate of the number of workers currently employed there who, in the event of closure, would subsequently register as unemployed.

All the facilities of the Manpower Services Commission will, of course, be made available to the workers affected to help them find new jobs or to train for fresh employment if the closure goes ahead.

London Weighting Indices

Mr. Wolfson asked the Secretary of State for Employment if he will make a statement on the future of the London weighting indices published by his Department.

Mr. Tebbit: London differentials are a matter for employers and employees to determine according to the circumstances of each firm or industry. But in the Government's view the indices encourage negotiators to place too much emphasis on the need to compensate employees for the additional costs of working in London and too little on the need to set rates of pay which the employer can afford, and which are sufficient to recruit, retain and motivate employees in London. Moreover, the indices are based on expenditure patterns which are now out of date. Therefore, I have decided to discontinue publication of the indices.

SCOTLAND

Assisted Places Scheme

Mr. Ernie Ross asked the Secretary of State for Scotland how many assisted places were made available (a) at Dundee high school and (b) in total at all participating schools in Scotland for the latest academic year; how much money was allocated in each case for assisted places; and how many places were awarded to pupils from fee-paying schools in each case.

Mr. Alexander Fletcher: Allocations of fee remission grant for the 1982-83 session were announced by my right hon. Friend in his reply to the hon. Member for Fife East (Mr. Henderson) on 29 April 1982. Information on numbers of places awarded for the 1982-83 session is not yet available.—[Vol. 22, c. 349-50.]

Jobs (Protection and Creation)

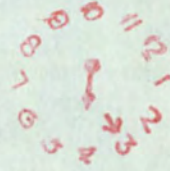
Mr. Ernie Ross asked the Secretary of State for Scotland how many jobs in Dundee are being supported by job protection and job creation schemes; and if he will provide a breakdown for each scheme.

Mr. Alexander Fletcher: The following table gives the numbers in Dundee covered by the schemes listed at the latest available date.

Scheme	Numbers covered	at date
Job release scheme	397	6 October 1982
Young workers scheme	387	14 October 1982
Temporary short time working compensation scheme	131	14 October 1982
Community industry	178	9 September 1982

Defence.

armed forces pay



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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
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MO 4/4

8th December 1982

Dear Margaret,

My Secretary of State was very grateful for the constructive advice given in the Chancellor's letter dated 29th November. He is content to accept the draft evidence proposed by the Treasury subject to one minor clarifying amendment which has been agreed by MOD and Treasury officials. In the final paragraph the words "some 9 per cent" should be deleted and replaced by "11.75 per cent, some 10.15 per cent".

The MOD will now submit the evidence to the AFPRB.

Copies of this letter go to the Private Secretaries of members of E(PSP), Sir Robert Armstrong and to Mr Scholar at No 10.

Yours ever

Mich Evans

(N H R EVANS)

Miss M O'Mara

DEFENCE : Armed Forces Pay : Pt 2.

28 DEC 1982

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 Head of DS14
 CSO(Pay)
 Sec PPOs

MO 4/4

12th November 1982

Dear Geoffrey

LONDON WEIGHTING FOR THE ARMED FORCES

In spite of my anxiety to get our evidence to the Armed Forces Pay Review Body as quickly as possible - it is long overdue - I am afraid that I cannot accept the draft attached to your letter of 4th November 1982.

I am worried about the tone of the draft, which gives the impression that the Government is leaning heavily on the AFPRB to ignore the indices despite the fact that we are here concerned with a period which ended six months before we announced the decision to abolish them. It seems to me that this sits ill with the appeal in paragraph 4 to the details of the 1974 Pay Board Report when its major recommendations rested squarely on the principle of cost compensation. Times have changed, but we really must maintain some integrity in our approach to Armed Forces pay if we wish to keep the Serviceman's confidence in the system, and the AFPRB's in our intentions.

The relevance of market forces to the determination of London Weighting for the Armed Forces is, as I said in my letter of 18th August, questionable because we do not recruit specifically for London. This applies particularly in the current pay year, as we are now almost two-thirds of the way through it. The AFPRB will find it impossible to comply with the last part of paragraph 3

The Rt Hon Sir Geoffrey Howe QC MP



of your evidence and it is therefore best left out if we do not want to devalue the general point. We can, of course, invite them to have regard to the Government's broad strategy in this field and to the need for restraint in framing their recommendations. This was the thrust of the draft evidence I circulated on 20th October. The Secretary of State for Employment has made the useful suggestion that we attach to the evidence a copy of the Hansard record of his statement to the House on the abolition of the indices, which gives the reason for that decision. I am of course very willing to do this, and should like to proceed accordingly.

It is now nearly three months since I first circulated draft evidence and we appear to be no nearer reaching agreement. We cannot ask the Armed Forces to wait indefinitely and if you are not persuaded by my present arguments I suggest that we ask the Prime Minister to arbitrate.

Copies go to members of E(PSP), to Sir Robert Armstrong, and to No 10.

Yours ever

John

John Nott

Defence

Armed forces pay

30 NOV 1982

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