

Department of Employment
 Cotton House, Torrhill Street, London SW1H 0NE
 Telephone: 071 5949
 Switchboard 01 212 2000

The Rt Hon Nicholas Ridley MP
 Secretary of State
 Department of Transport
 2 Marsham Street
 LONDON
 SW1

20 September 1985

Dr. Ridley,

with DN? will req. if req.

I have seen your letter of 18 September to Nigel Lawson about the proposed pay offer to British Airways engineers. I can understand that with the flotation imminent the board are keen to settle without serious industrial action. And undoubtedly there is also pressure on BA pay rates from other airlines.

However, following an offer to local authority manual workers of 8.2%, an offer of 10% to BA engineers would seriously weaken attempts to moderate public sector pay increases. It would indeed be the worse start to the year's pay round that we have had for some time. It would also give the wrong signals to private sector employers and employees. An increase of 10% will be well above the increase in the retail price index, and would quite disregard the predicted further fall in the RPI.

Given the wider implications of this offer you may wish to consider contacting the Chairman of BA to indicate your concern, and the desirability of attempting to reach a settlement well below 10%. If we really have to accept the argument that a relatively low settlement is not possible then the Chairman should at least be asked to consider carefully how the settlement can be presented in the most favourable light, eg a relatively low basic offer, plus productivity payments.

I am copying this to the Prime Minister, colleagues on E(PSP) and to Sir Robert Armstrong.

J. L.

KENNETH CLARKE

