



DEPARTMENT OF TRANSPORT
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The Rt Hon Kenneth Clarke MP
Paymaster General
Department of Employment
Caxton House
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NBPN.

7 October 1985

Dear Kenneth

at foot

Thank you for your recent letter about the proposed pay offer to British Airways engineers.

I share your concern about the implications of a high settlement for BA staff. As I made clear in my letter of 18 September to Nigel Lawson, BA are currently negotiating on a pay and restructuring deal which, if agreed, would imply a settlement well below 10%, with 4% being covered by way of improved productivity. I have, as you know, already impressed upon BA the desirability of reaching as low a settlement as possible as well as the need to present it in the best possible light. Following discussion at MISC66(2) Lynda Chalker has had a further word with Lord King to reinforce the message. It is already clear, however, that BA will not have an easy ride in attempting to restructure the engineering grades - which forms an essential part of their plan to reduce unit costs in the lead up to privatisation. I will be keeping a very close eye on how matters proceed.

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

Nicholas Ridley

NICHOLAS RIDLEY

Aerospace; Future of BA ; Pt 4

