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 Prime Minister<sup>2</sup>

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Treasury Chambers, Parliament Street, SW1P 3AG  
 The Rt Hon Nicholas Ridley AMICE MP  
 Secretary of State for Transport  
 Department of Transport  
 2 Marsham Street  
 London  
 SW1P 3EB

4 March 1986

Dec Niddy,

BA PAY

We discussed British Airways' pay negotiations in the autumn, and you will recall that Kenneth Clarke and other colleagues shared my concern about their proposals. We were worried about the suggestion that the engineers would receive an extra 8 to 10 per cent on basic rates in the first year and 7 per cent in the second year. I see from the latest E(PSP) Monitoring Report that an offer along these lines was indeed made to the engineers, and discussions are continuing.

Even more worrying I see that an offer of a first year deal has apparently been made to the pilots, whose average earnings effect is not costed, but which looks like being worth around 18 per cent. I can see no justification for such an increase. I understand that BA has a surplus of pilots and that other British airlines, British Caledonian and Dan Air, are thinking of freezing pay for their employees. Apart from the absence of any recruitment and retention, or even comparability arguments (which we would not accept anyway) for such increases, I need hardly point out the potentially disastrous effects of such an award on negotiations for the rest of BA's employees and, indeed, more widely.

I would be grateful for clarification of the present situation and your thoughts on the possibility of Transport Ministers speaking to Lord King again about these negotiations.

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

Yours ever,

JOHN MacGREGOR

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