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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

NBPN

19 March 1986

Dear Niddly,

BA PAY

Thank you for your letter of 10 March.

I remain very concerned about the position which BA have got themselves into. They have been shedding staff over the past years to reduce a surplus. That is quite different from the civil service having to pay more to computer staff and specialist grades because there is a shortage. Even taking into account that BA are restructuring the workforce, I cannot see how offers as high as have been made can be justified. Nor is it obvious that a large increase to the paybill will improve BA's long term profitability, particularly, as you say, in their highly competitive market.

With an even larger offer to the pilots it may be helpful presentationally to concentrate on the paybill increase; and I hope that BA will do so publicly. Even then the figure is very large. But I should make it quite clear that although the paybill effect is relevant, it does not give a satisfactory basis for assessing pay offers and settlements.

You mention that the other airlines are considering freezing pilot's pay because of BA's extremely competitive position. I am nonetheless surprised that BA feel they can make such large pay offers without damaging their competitive edge.

Moreover, while I recognise that BA have to plan for the future, a large award this year, at the same time as one for the engineers, will make it all the harder to hold the line with other groups.

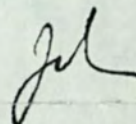
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It is therefore with great reluctance, and taking account of all the circumstances, that I accept your judgement that at the stage these negotiations have now reached, an intervention with Lord King would not be helpful.

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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