

CCBG



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

10 March 1987

The Rt Hon Paul Channon MP
Secretary of State for Trade
and Industry
1-19 Victoria Street
LONDON SW1

A handwritten signature in cursive script, appearing to read 'Paul Channon'.

NRSM

PAY 1986-87

Thank you for your letters of 16 January in response to mine of 18 December. I was also grateful for John Moore's letter of 25 February on the same subject.

I need not comment on the individual industries in any detail as consultations will take place on them at the appropriate point in the negotiations. On a general point I am pleased to see your and John's support for the principle of moving towards greater regional variation in pay and that several industries have this in mind for the future.

I look forward to seeing the results of British Rail's consideration of regional pay, in time to affect next year's pay round. I would welcome a progress report. In addition, I see some advantage in greater sectoral control over pay costs, particularly in the freight sector as a step towards greater responsibility by sector management for their own bottom line performance.

The results of LRT's tendering of bus services underlines the uncompetitiveness of certain LBL operations. The establishment of two local subsidiary companies with varied pay and conditions is an encouraging response to this lack of competitiveness on which LBL could usefully build.

I was a little surprised to learn that the Post Office are not planning early action to introduce more regional pay variation. I understand that the recruitment and retention situation for several kinds of staff varies considerably up and down the country. Greater regional pay variation might help them cope with these pressures more effectively and more economically than at present.

CONFIDENTIAL



I accept that the timing of such initiatives is often a difficult matter and best left to management. However, I would like to be reassured that Post Office management have at least considered this issue and plan to do something at some stage.

I am copying to the Prime Minister, Cabinet colleagues and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "Nigel Lawson", with a large flourish on the left side and a horizontal line at the bottom right.

NIGEL LAWSON

Record Per

Domestic Monetary

Policy

PTTB

