

CONFIDENTIAL



NBPM

AT 15/3

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

13 March 1984

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

Nick

BRITISH RAIL PAY

You wrote to me on 7 March, telling me of your recent meeting with Bob Reid.

I am glad that Bob Reid plans to link any increase in pay to productivity improvements. They are badly needed, and I understand that little progress has been made since last year's pay settlement, although a link was part of that agreement.

The tactics of the negotiation are, of course, a matter for the British Railways Board but I agree they must do all they can to achieve their aim without inducing a strike or other industrial action. If industrial action were to occur, we should want it deferred as long as possible because of the possible repercussions, and I would expect BR to bear the costs themselves, as they did in 1982.

On the level of a settlement, I agree that an offer of up to 4 per cent on average earnings would be acceptable if justified by genuine productivity gains. But given the level of offers made to other public trading corporations, I think it important that the eventual settlement should be kept as close as possible to that figure.

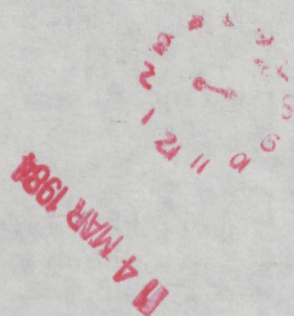
Copies of this letter go to the Prime Minister, the other members of E(PSP) and to Sir Robert Armstrong.

Nigel Lawson

NIGEL LAWSON

Transport : Sk. Fares

Pt 8.



SECRET

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cc: Mr. Pascall

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10 DOWNING STREET

From the Private Secretary

14 March 1984

BR PAY IN 1984

The Prime Minister has seen your Secretary of State's letter to the Chancellor of the Exchequer of 7 March. She has commented that negotiations on BR pay in 1984 need to be considered in relation to the dispute in the coal industry. The Government would not want to see the railways halted by industrial action while some pits were still working.

I am sending copies of this letter to John Kerr (HM Treasury), Michael Reidy (Department of Energy), Richard Hatfield (Cabinet Office) and Peter Gregson (Cabinet Office).

Andrew Turnbull

Miss Dinah Nichols,
Department of Transport.

SECRET

SPH