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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
2 Marsham Street
LONDON SW1

26 April 1984

Dear Secretary of State,

In Nigel Lawson's absence, I am replying to your letter of 18 April about the latest development in the BR pay negotiations. I have also seen Giles Shaw's letter of 17 April.

In his letter of 16 April, Nigel had already indicated that we were content for the negotiating ceiling for BR pay to increase to 4.5 per cent on basic rates and average earnings. In your latest letter, you say that Bob Reid's judgement is that it will be necessary for him to go as high as 4.6 per cent on average earnings when he meets the unions on 27 April.

This package would include a non-enhanceable cash supplement worth 0.6 per cent, to be linked firmly to genuine union co-operation with the productivity improvements described in paragraph (c) of your letter of 13 April to Nigel Lawson, which are additional to the productivity items linked to the original 4 per cent offer.

I accept the importance at this juncture of keeping these pay negotiations in play. I note from your latest letter that Bob Reid considers it unlikely that the NUR will be prepared to settle before their Conference ends in the first week of July. We seem, therefore, to be settling in for a long haul. In these circumstances, I could only agree that Bob Reid should have latitude to go up to 4.6 per cent tomorrow if you and he were certain that this is absolutely necessary to keep the talks in play; and if the unions are ready in return to make clear and specific commitments on productivity to which the offer would be firmly linked.

As Giles Shaw says, presentation of 4.6 per cent would require careful handling. Moreover we do not know whether the gas manuals will in fact accept the offer on which they are currently balloting.

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

Yours sincerely,

Debbie McCambridge

p.p. BARNEY HAYHOE

[Approved by the Minister of State
and signed in his absence]

Transport R8

BR Pay

27 APR 1984



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
The Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1

18 April 1984

Dear Nigel

BR PAY NEGOTIATIONS

Thank you for your letter of 16 April, and for your agreement that Bob Reid should have some flexibility in his forthcoming negotiations if he is to minimise the risk of conflict.

He fully accepts the need to avoid his pay talks having an adverse effect elsewhere in the public sector. His next meeting with the unions is now scheduled for 27 April, the very day, I understand, that the result of the gas manuals' ballot is announced. So whatever he offers is unlikely to impinge on that.

His view is that the key element of the package which I outlined in my letter of 13 April is the 1% non-enhanceable cash supplement in return for a commitment to co-operation in other productivity improvements (my paragraph (c)). The 4% of course remains linked to the original productivity items. Together, they equate to a 4.6% increase on paybill and earnings.

Mr Reid believes that TSSA would wish to settle quickly, but not at 4%, while the NUR will probably not be prepared to settle until their conference ends, in the first week of July, because of the policy they adopted last year against further productivity improvements. He will have to decide whether it is generally acceptable to allow negotiations to drag on that long, although from our point of view it might be helpful if they could do so without the risk of conflict. But that is for him.

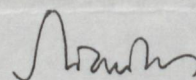
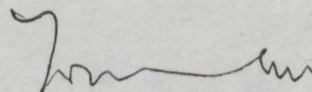
Mr Reid will be reviewing his position next week in the light of developments in the miner's dispute, and developments on the railways which now include, I fear, a document leaked to the unions yesterday which points to the rundown of two additional British Rail Engineering works and the loss of a further 10,000 jobs by 1987. We may well find that the militants use this strategy paper (part of the 1984 Rail Plan process) to make further common cause with the miners.

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In the meantime, I hope you and colleagues will agree that we should allow Bob Reid to negotiate at this stage up to a maximum of 4.6%, rather than the 4.5% which you suggested. I shall, of course, keep you fully informed about developments.

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



NICHOLAS RIDLEY

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Transport Pt 8

BR - fares