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DEPARTMENT OF TRANSPORT
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The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

18 March 1986

P. MacGregor 2

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18/3

Dear John

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LONDON BUSES: PAY

There seems a good chance now that the London Bus union will lift their strike threat today in the light of progress on recent talks with the management. Provided this happens, and provided the unions accept a new bus scheduling agreement at the same meeting today, London Buses Limited intend opening pay negotiations with their employees on Thursday 20 March.

Keith Bright is proposing to make an initial offer of 4.5%. This will be linked to far-reaching new productivity measures which entail a substantial revision of existing conditions of service and pay, especially for new entrants. The package would be worth 3% to LBL, all of which would be contained within the proposed pay figure.

Keith Bright sees it as almost inevitable that he will be forced quickly to concede 5%, and possibly a little way beyond that to secure the very worthwhile productivity gains he is seeking. I propose to give him authority to move if necessary to 5.25%, provided this can be firmly associated with the new productivity measures. Such a settlement would be an extremely good deal for LBL. We must, I think, realistically accept that the price of achieving these productivity gains may be a somewhat higher nominal increase than would be acceptable in other industries.

Unless I hear from you by midday on Wednesday I will assume that you are content that I should give Keith Bright authority to negotiate up to 5½% provided the deal is firmly linked to productivity.

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

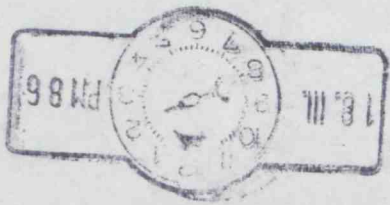
Yours sincerely

Nicholas Ridley

NICHOLAS RIDLEY

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CEBB



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

NBH

19 March 1986

Dear Secretary of State,

LONDON BUSES: PAY

Thank you for your letter of 18 March.

Obviously I would like to see a settlement below last year's level of 4.9 per cent if possible but, under the circumstances, I can accept 5.25 per cent as a negotiating ceiling. I welcome the fact that productivity improvements will offset part of the cost. These will obviously be essential if this settlement is to be consistent with achievement of LRT's real unit cost reduction target of 2½ per cent per year. I hope that the productivity improvements involved can be underlined in any publicity given to the eventual settlement.

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

Yours Sincerely,

JOHN MacGREGOR

(Approved by the Chief Secretary
and signed in his absence)

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TRANSPORT : LRT : NOV 1983

