003/1282

CONFIDENTIAL

cc BG

CHIEF SECRETARY TO THE TREASURY

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
SW1

NBPM.

7 April 1986

Dear Secretary of State,

LRT (UNDERGROUND) PAY

Thank you for your letter of 31 March.

While I accept Keith Bright's judgement that LRT may need to offer slightly more than 5 per cent, I would make the points that LUL's recent settlements have been higher than those at British Rail and that the inflation rate is set to fall from the 5.1 per cent recorded for February. The "initial" negotiating ceiling which LRT have accepted should therefore be regarded as the upper limit on what LRT are prepared to offer.

It is of course essential that the eventual settlement be offset by productivity improvements so that LRT continue to meet their target of a 2½ per cent real reduction in unit costs per year. I am well aware of the impressive recent record of LRT, on which Keith Bright is to be congratulated, so I am sure that he will be aiming for this.

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

Yours sincerely,

Paul Pegler

pp JOHN MacGREGOR
(approved by the Chief Secretary and signed in his absence)

CONFIDENTIAL

Transport;

[LRT. Nov. '83]

CONFIDENTIAL

NO

CeB/S

SECRETARY OF STATE FOR TRANSPORT

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

NBM

31 March 1986

Dear John

LRT (UNDERGROUND) PAY

LUL pay negotiations open on 8 April and Keith Bright has told me he proposes moving quickly to an offer of 5%. He takes the view that given the level of the BR settlement (5.2% on average earnings) an offer below that level would be regarded as a transparent negotiating ploy.

Taking account of the significant improvements in LUL's efficiency and revenue surpluses, coupled with last year's relatively low settlement (i.e. 4.9% compared with a prevailing inflation rate of 6.2% and public sector settlements averaging 5.5%) Keith Bright believes he will need to move a few points above the 5% offer. He has accepted, however, an initial negotiating ceiling of 5.2% which he will not exceed without further reference to me.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

CONFIDENTIAL