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The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
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NBM

14 January 1986

Dear John

BAA PAY

Thank you for your letter of 6 January.

With DN 14/1

My letter of 30 December indicated the sort of competitive pressures BAA are under this year. These influences are indeed having their effect on recruitment and retention. For example, in a number of instances recently, BAA have received a nil response to job advertisements for craftsmen and electricians and have been obliged to appoint staff at well above the minimum level in order to secure the services of people of sufficient calibre. I think it is also important to stress the point I made in my letter of 30 December about Pay in the Public Trading Sector - that success in achieving low settlements in recent years makes it all the harder to maintain the downward pressure, particularly in an organisation where profits are increasing.

Nonetheless, I have stressed to BAA the need to keep their settlement as low as possible and, as a result of further discussions, their opening offer on 7 January was pitched at a little over 4% on earnings. They would hope not to have to move more than 1% or so above that figure but negotiations will be tough and, against the background outlined above, it may be unrealistic to expect a settlement below that of last year. I will keep you informed of any major developments.

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

John MacGregor
Nicholas Ridley

NICHOLAS RIDLEY

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