

CONFIDENTIAL



PRIME MINISTER

MONITORING REPORT: PUBLIC TRADING SECTOR

I have seen the Chancellor of the Exchequer's letter to you of 26 March enclosing a monitoring report of pay settlements in the public trading sector. In it he asked for an assessment of the settlement achieved by the British Airports Authority.

The settlement at 6% is admittedly higher than we hope to achieve in the public services. But it is not out of line - and indeed is below - the average level of settlements both in the public sector as a whole and in the private sector. It is also significantly below the 9% settlement concluded in 1981.

The £14 a month productivity bonus referred to in the monitoring report enclosed with the Chancellor's minute to you of 26 March was not part of the January 1st settlement as the report would imply. It was agreed last year and was payable from November 1981. It is not being increased as part of the current settlement and in any event we expect it to be fully absorbed in increased productivity and past experience supports this view.

The effect of the current settlement on earnings is estimated at 5.6% and the effect on the pay bill is likely to be somewhat less. This, in the circumstances, I regard as an acceptable result.

I am copying this minute to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for the Environment, Industry, Transport, Energy and Employment, and to Sir Robert Armstrong and Mr Sparrow.

Arthur Cockfield

LORD COCKFIELD

Prime Minister

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