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Prime Minister

This is tiresome, but I think it will have to come back to E, as Robert Armstrong advises. Agree?

MR. LANKESTER

Salaries of Nationalised Industry Board Members

You asked for advice on the minute of 23rd January from the Lord President of the Council to the Prime Minister about the new arrangements for determining the salaries of Nationalised Industry Board Members (NIBMs), and the subsequent correspondence commenting on it.

2. The issues raised need to be considered against the background of the detailed discussion by the Ministerial Committee on Economic Strategy on 20th May last (E(80) 16th Meeting Minutes). E then agreed that the TSRB should no longer be invited to advise on the pay of NIBMs; and the Prime Minister, summing up the discussion, said that:-

"In future each sponsoring Minister should put proposals for the pay and pensions of chairmen and board members to the Civil Service Department. If the Minister in charge of that Department saw no objections, proposals could go ahead, subject to clearance with her of proposals for the pay of Chairman and Chief Executives. If there was disagreement, it would be a matter for decision by Ministers collectively."

In reaching this decision the Committee were aiming to provide for more flexibility than hitherto, so recognising the need to recruit and retain key people, but they were concerned to retain sufficient safeguards to prevent indefensibly high salaries and leapfrogging.

3. In his minute of 23rd January the Lord President reports the outcome of detailed discussions between his Department and the Nationalised Industry's Chairmens' Group and he attaches a note which summarises the proposed new arrangements. The main point at issue is that the Chairmen argue that the salaries recommended last year in the TSRB's fourteenth Report should now be implemented, plus further increases for this year. The Lord President insists that the starting point must be existing pay levels, though he acknowledges the

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need to look at particular problems of differentials. He further recommends that the idea of a board fee plus executive salary, determined by the Board itself, should be rejected as contrary to the decisions in E last May; and that the Government should insist that 'the general economic climate' must stand as a factor to be taken into account.

4. Of the other Ministers who have commented:-

(i) The Chancellor of the Exchequer (3rd February) strongly supports the Lord President and points out that any concession to the nationalised industries would cause difficulties in the context of this year's TSRB Report on the Top Salaries group on which the Prime Minister recently argued to Lord Plowden that the starting point should be actual salary levels in payment and not last year's recommendations.

(ii) The Secretary of State for Energy (^{4th}2nd February) feels strongly that the Lord President's approach is too inflexible, and he wants early collective discussion. **No.**

(iii) The Secretary of State for Trade (5th February) is also concerned that there might be insufficient flexibility but otherwise accepts the recommendations.

Of the other Ministers directly concerned, the Secretaries of State for Industry, for the Environment, for Scotland and for Transport have yet to reply.

5. It is tempting to suggest that the Prime Minister should intervene now to rule that, subject to any new points put within the next week by the other Ministers directly concerned, the Lord President should go ahead as he proposes, on the grounds that:-

(i) E decided very clearly last May that while the arrangements should be made more flexible they should still be subject to constraints.

(ii) For the reasons put forward by the Lord President and the Chancellor of the Exchequer, it is out of the question to concede that the TSRB 14 recommendations should now be



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implemented with average increases of 11 per cent and as a basis for further increases for this year (NB. The word in brackets in paragraph 4, line 8, of the Lord President's minute should read 'unenhanced').

(iii) The Lord President's proposals do not, however, rule out flexibility and consideration of particular cases as envisaged by E.

6. I fear, however, that the other Ministers concerned will want to discuss the issues; and I reluctantly recommend, therefore, that the Prime Minister should invite the Lord President to prepare a paper, taking into account the points already made in correspondence and those from the other Ministers concerned, for early discussion by E.

*I see no need to
dismiss. Unless new
points arise - I think the
Lord President can go ahead.
me.*

Robert Armstrong

12th February 1981

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