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PRIME MINISTER

Nationalised Industry Board Members' Pay
(E(81) 87 and 88)

BACKGROUND

At their meeting on 2nd July (E(81) 23rd Meeting, Item 2) the Committee invited Ministers sponsoring nationalised industries to approve increases in the salaries of nationalised industry board members no higher than 6 - 7 per cent in 1981 and, in consultation with the Lord President of the Council [now the Chancellor of the Duchy of Lancaster], to put forward for collective discussion proposals for any increases higher than that.

2. The new Secretaries of State for Energy and for Transport are willing to speak to their predecessors' papers recommending higher increases for area Electricity Boards and for three cases in the transport industries; whether they will take precisely the same line on all the details remains to be seen.

3. In E(81) 88, the Secretary of State for Energy reports that increases for British Gas Corporation and Atomic Energy Authority board members were limited to 7 per cent and that the same is proposed for National Coal Board members and for most Electricity Board members. He asks that, exceptionally the Deputy Chairmen of Area Electricity Boards should be paid 13.3 - 17.5 per cent more to remove an inverse differential between them and senior management which has existed for five years and, at worst, is now £5,820. If this was approved, he recommends a consequential increase of 6.9 - 9.5 per cent for chairmen of the area boards in order to prevent the creation of a new inverse differential between them and their deputies.

4. The Secretary of State for Transport reports, in E(81) 87, that nearly all his board members are to get 7 per cent. He asks the Committee to agree to:-

- (i) the re-appointment of Mr. Bosworth as Deputy Chairman of British Rail with his salary increased by 25 per cent to £50,000 (this increase being seen as necessary to retain him,

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and as the best way of making good the disadvantages in his present pension arrangements);

- (ii) an increase of 15 per cent to £35,000 for Mr. Reid, the Chief Executive of British Rail, to put him on the same level as the two Vice Chairmen, and to keep him above the pay of some of his executives;
- (iii) 15 per cent to give £23,250 to Mr. Williams of British Transport Docks Board so as to keep him in line with other board members and senior officers;
- (iv) the extension to British Rail board members of death-in-service benefits for which 300 senior staff are eligible. The Civil Service Department are opposed to this; they fear that the benefit would then have to be made available to other public sector boards.

HANDLING

5. You might ask the Secretary of State for Energy to speak first: his paper raises a general question of whether there should be exceptional increases to deal with inverse differentials, and the answer to it is relevant to two of the proposals made by the Secretary of State for Transport. You will then wish the Secretary of State for Transport to present his proposals. On each you will need to hear in particular the advice of the Chancellor of the Duchy of Lancaster, in view of the Civil Service Department's co-ordinating role in this area, and to hear from the other Ministers sponsoring nationalised industries whether the proposals would have repercussions for their boards and whether they see similar problems coming up. Any detailed points over the precise arithmetic of percentage increases could be cleared out of Committee.

6. The main questions you will wish to cover are:-

(i) Area Electricity Boards

In this particular case does the problem of inverse differentials justify the higher increases proposed?

More generally, should the Area Boards, and other boards, be warned that the Government will not necessarily take

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steps to remove inverse differentials and that they should take account of the problem of differentials, along with other factors, in their future salary policy for senior staff? Otherwise the Boards might be tempted not to be as rigorous as they might be in determining senior staff salaries, in the expectation that the Government would not or could not withhold consent for the increases for board members that would have to follow, if new inverse differentials were to be avoided.

(ii) Mr. Reid, British Rail, and Mr. Williams, BTDB

Is it agreed that their salaries should be increased so as to remove inverse differentials and any other anomalies?

(iii) Mr. Bosworth, British Rail

Is it worth paying a 25 per cent increase to ensure this particular re-appointment?

(iv) Death-in-Service Benefit for British Rail Board Members

Should this be turned down (as the Civil Service Department advise) on the grounds that similar benefits would probably have to be made available throughout the public services?

7. The Secretary of State for Transport's paper records the view of the CSD on the particular question of death-in-service benefits. You may think it worth suggesting that, as a general rule in future papers, the CSD's view should be briefly stated for each proposal put forward. This would be consistent with their co-ordinating role and could be helpful to the Committee in dealing with what are, inevitably, detailed and somewhat technical proposals. The procedure would be similar to that for public expenditure proposals and the requirement on Departmental Ministers to include a paragraph recording the Treasury's views.

CONCLUSIONS

8. You will wish to sum up with reference to the detailed proposals listed above. If you think that it would be helpful, you might also record the Committee's wish that in future cases sponsoring Ministers should include a note of the Civil Service Department's comments on their proposals.

RA

Robert Armstrong

18th September 1981