



Chancellor of the Duchy of Lancaster

Prime Minister

Civil Service Department

Whitehall London SW1A 2AZ

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Given the pressures on your
time at present perhaps the
best course would be to

From the Private Secretary

steer Sir R Marshall's

9 October 1981

request for a meeting towards

the Chancellor. If you agree

perhaps you would sign the attached

reply to Sir R Marshall.

Michael Scholar
10 Downing Street
LONDON SW1

Dear Michael,

MCS 9/10

NATIONALISED INDUSTRIES: BOARD SALARIES

You asked for advice on the letter which Sir Robert Marshall sent to the Prime Minister on 30 September about the salaries of Chairmen and Board Members of nationalised industries.

As the Prime Minister will recall the salaries of members of nationalised industry boards were removed from the ambit of the Top Salaries Review Body in 1980 so that Ministers would have greater flexibility in determining them. New arrangements for settling these salaries were then agreed in Government, discussed with the Nationalised Industries Chairmen's Group and announced by the Prime Minister on 7 April. These new arrangements provided for salary increases to be based on managerial and market considerations rather than on traditional comparisons and ranking. The announcement went on to list the factors which would be taken into account - these included the general economic climate. Subsequently E Committee decided (E(81)23rd Meeting, Item 2) that the generality of Board Members should be held to a 6% or 7% pay increase this year, with individual increases above that level requiring special approval. The number of exceptions so far approved has been very limited.

In consequence nationalised industry chairmen and their boards feel badly let down by the Government's decisions and Sir Robert Marshall's letter reflects this. We have no doubt that they must be given the opportunity of making representations at a high level and the Prime Minister is the natural recipient of such representations. On the other hand a meeting with Sir Robert Marshall and a few colleagues confined solely to pay could attract adverse publicity. Apart from the pressures on her diary, the Prime Minister may want to consider whether that risk is worth running. An alternative might be to invite them to discuss their pay with the Chancellor of the Exchequer when next they meet him, as they do from time to time, to discuss wider economic and industrial matters. The Chancellor of the Exchequer's office may have a suitable occasion for this in prospect; if not it may be possible to manufacture one.

... The attached draft reply to Sir Robert Marshall has been written on the assumption that the Prime Minister will agree to meet him and his colleagues herself. If it goes in this form, and given that Sir Robert's letter touches on wider issues, the Treasury will no doubt wish to brief the Prime Minister for the meeting as well as us. You may also want to consider copying Sir Robert's letter to the main sponsor Ministers (the Secretaries of State for Energy, Environment, Industry, Scotland, Trade and Transport) in case they have comments.

I am copying this letter to John Kerr (Treasury) and David Wright (Cabinet Office).

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

DRAFT LETTER FROM THE PRIME MINISTER TO
SIR ROBERT MARSHALL

NATIONALISED INDUSTRIES: BOARD SALARIES

which was awaiting me on my return from Australia and Pakistan

Thank you for your letter of 30 September. I appreciate that the Government's decisions on salary increases for nationalised industry board members will have been a disappointment to many Chairmen. However, we made it clear when the new arrangements for determining board pay were being discussed with you that general economic circumstances would have to be one of the factors taken into account and at present the need for pay restraint must in our view take priority. Nevertheless, we have been prepared to authorise significant increases where there is a particularly strong case for these.

2. I agree that it would be helpful if we met to discuss these matters and my office will make arrangements for this as soon as other commitments permit.