



Treasury Chambers, Parliament Street, SW1P 3AG  
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*Dear Michael,*

NATIONALISED INDUSTRIES: BOARD SALARIES

The Chancellor has seen Sir Robert Marshall's letter of 30 September to the Prime Minister, enclosed with your letter of 1 October to Jim Buckley seeking advice. He has also seen Jim Buckley's reply of 9 October, and agrees that while it would be useful if the Prime Minister could find time to see the nationalised industry Chairmen, there might be advantage in his doing so at one of his regular meetings with them. *TRM*

However the Chancellor does think that the Government's line on this question needs to be carefully thought out before the meeting.

He does not think it would be right to be seen to reverse the E Committee decision taken in July that the generality of Board Members should be held to a 6 per cent or 7 per cent pay increase, with individual increases above that level requiring special approval. However he feels it would be desirable to show willingness to allow a greater degree of flexibility in future years. This was after all our original reason for breaking away from the rigidity of the TSRB, and is important in itself if the Government is to achieve its object of relating salaries more directly to performance, both individual and corporate. We might tell the Chairmen that the Government would certainly like to discuss with them the best way of achieving this - perhaps adding at the same time that the Government would like to see pay at lower levels of management in the nationalised industries related more directly to performance, and proposing that this should be discussed as well.

At all events the Chancellor does not believe that the Chairmen's protest should simply be rejected. The issue is a delicate one which could have an important bearing on our relations with the Chairmen, and in particular could make it more difficult to secure their co-operation - which we shall need - in the

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implementation of the proposals emerging from the CPRS report on nationalised industries. He suggests that as the next step the Prime Minister might like to arrange a talk about the problem with Lady Young, himself and the Secretaries of State for Industry, Energy and Transport.

*Yours ever,*  
*Peter*

P.S. JENKINS