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10 DOWNING STREET

From the Private Secretary

27 October 1981

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Nationalised Industries: Board Salaries

Thank you for your letter of 12 October.

The Prime Minister is attracted by the Chancellor's suggestion that we should not just reject the protest by the Nationalised Industries' Chairmen's Group but show willingness to allow more flexibility; and she thinks that the general concept of relating salaries more directly to performance, perhaps by the introduction of a performance-related element into their remuneration, could be a useful development in that regard. But as expressed in your letter it is a very general concept. If it were to be discussed with the Chairmen, they would be bound to ask for more detail; and it could be less than helpful to raise the issue as a general idea but then find that there was no sensible and practicable way of giving effect to it.

She proposes therefore to invite the CPRS as a matter of urgency, and as an extension of their other work on nationalised industries, to advise on ways in which this concept might be put into effect in the context of the nationalised industries. For this purpose they would be able to consult management consultants who are experts on such schemes in private industry.

She will ask the CPRS to report by 20 November. The report can then be circulated to E(NI), either for discussion or as a basis on which a line to be taken with the Chairmen's Group can be agreed in correspondence.

If the Chancellor is content with these proposals, I will arrange to circulate copies of your letter and of this letter to the Private Secretaries to the Secretaries of State for the Environment, Scotland, Industry, Trade, Transport, Energy and Employment.

*MS*

P.S. Jenkins, Esq.,  
HM Treasury.

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