

1 D.

Prime Minister

CONFIDENTIAL P. 11

Agree conclusions A-E,  
subject to the views of  
20 November 1981

Qa 05726

To: MR SCHOLAR

From: J R IBBS

I am very surprised. your colleagues?

I suspect the oil-based industries would do well because of the nature of the industry - other Nationalised Industries: Board Salaries next would not -

MCS 20/11

except by heavy increases in rules

1. Your letter of 29 October conveyed a request from the Prime Minister that the CPRS should produce a report, by 20 November, on the possibility of relating nationalised industry board members' salaries to their performance.

2. Our report is attached. The conclusions are summarised at the end (paragraphs A - D, page 11). In brief, we believe that payment-by-results schemes for nationalised industry boards should be feasible and useful, though they will need a sharper definition of performance objectives; some problems, particularly relating to accountability, will have to be overcome. If Ministers agree, they will need first to discuss with the Chairmen, then subject to their reaction to arrange for a detailed scheme to be worked out for a particular industry.

3. Your letter suggests that the Prime Minister may wish to have the report circulated for consideration in E(NI). Clearly Ministers will wish to reach a view as soon as possible, so that the pay issue does not complicate discussion of the broader issues arising out of the main CPRS report.

4. I am sending a copy of this minute and the report to those who received a copy of your letter.

JR

CONFIDENTIAL