

2 pps  
cc [signature]

JH834



Prime Minister ①

PRIME MINISTER

BT BOARD PAY

D/Industry argue that Sir A Bide costs £65,000 for BL + £65,000 for G Laxo and that Mr Duncan for RR will cost his ICI salary of £100,000 plus - so that £100,000 for Sir G Jefferson has to be seen

I am grateful for your agreement that I can go ahead with the in that increases I proposed for members of the BT Board.

context. Agree to X?

2 As regards the Chairman's pay, I believe that it could be a MC51/10 very serious setback to our plans for privatising BT if we were to lose George Jefferson now. He has, as I said in my earlier minute, been doing an outstanding job, most recently demonstrated by the firm and skilful way in which he has handled the negotiations with GEC, Plessey and STC on System X. He fully supports our privatisation objectives and we can trust him to do his utmost to ensure that the BT Board continues to be co-operative and that any difficulties with the staff and unions are kept to a minimum.

3 Moreover, we have to bear in mind that it was widely believed when Sir William Barlow resigned the chairmanship of the Post Office in 1980 that differences with the Government over the future of the telecommunications business were the main reason for his going. Mr Benton, the present Deputy Chairman of BT, has proved unsatisfactory and we shall want to ensure that he leaves by the end of this year, though the problem of offering what he will regard as adequate compensation for loss of office may make this difficult. For Jefferson also to go now after only two years in the job would inevitably create the impression of serious instability and incompatibility with Government's wishes at the top of BT and, apart from the potential political embarrassment, this could only damage the prospects of a successful flotation.





4 Finally I have to say that recent experience of seeking to recruit top-class industrial managers to lead organisations of the size and importance of BT makes it seem very improbable that we should be able to attract anyone approaching Jefferson's calibre unless we were prepared to offer a remuneration package of the kind which has been recommended for Jefferson himself. I am also quite sure that unless we offer Jefferson one or other of the two alternatives I proposed in my minute to the Chancellor, there is a serious risk that he will accept the invitation he has received from Sir Ernest Harrison, which, as I have said, is financially highly attractive to him.

x | 5 While, therefore, I shall be very ready to try to negotiate a slightly lower increase with Sir George, I hope you will agree that if necessary I should have authority to settle on the terms I previously proposed. *I think you should do that. It would be difficult to justify such a large increase.*

6 I am sending copies of this minute to the other members of E(NI) and to Sir Robert Armstrong and John Sparrow.

*J.P. Spencer*

*MP*

PATRICK JENKIN

(Approved by the Secretary of State and signed in his absence)

| October 1982

Department of Industry  
Ashdown House  
123 Victoria Street



Nat Ind. Board Salaries  
P42



September 1985

APPOINTMENTS IN CONFIDENCE

508

cc: DIM  
① IN  
C80, HMT  
① ITrow



bc. Vaseker

10 DOWNING STREET

① OT

From the Private Secretary

4 October 1982

CPRS 50  
CO 208  
HMT

BT BOARD PAY

The Prime Minister was grateful for your Secretary of State's minute of 1 October.

She has minuted that she believes that your Secretary of State should try to negotiate a slightly lower increase with Sir George Jefferson, and that it would be difficult to justify such a large increase.

I am sending a copy of this letter to the Private Secretaries to other members of E(NI), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Jonathan Spence, Esq.,  
Department of Industry.

508