



cc [initials]  
 Prime Minister (2)

MUS 5/10

Treasury Chambers, Parliament Street, SW1P 3AG  
 01-233 3000

4 October 1982

The Rt. Hon. Patrick Jenkin MP  
 Secretary of State for Industry

*Patrick*

**NATIONALISED INDUSTRY BOARD PAY: POST OFFICE**

Thank you for your letter of 10 September. I agree that the salaries of the members of the Post Office Board may be increased in the way you propose, subject to one point. I am concerned at the suggestion that any efficiency savings from exceeding the performance target for real unit costs should be shared solely between the business and its employees. This appears to leave out of account the legitimate interest of the taxpayer and consumer in benefiting from the elimination of inefficiency in the Post Office through lower EFRs on the one hand and lower charges on the other. I would be prepared to accept some incentive element to employees and the Board, but I think you should reserve your position on how far, beyond this, any unbudgetted efficiency gains are ploughed back, used to reduce charges, or returned to the Exchequer in a lower financing requirement.

I understand that you are not planning to announce this increase. However, if you change your mind, or if the board itself wishes to make an announcement, I should be grateful if your officials could contact mine about timing before the timetable is irrevocable

I am still considering your letter of 21 September about BT Board pay.

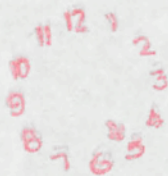
I am copying this letter to the recipients of yours.

GEOFFREY HOWE

*[Handwritten signature]*

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P+2

5 OCT 1982



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JF1520

Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
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10 September 1982

(2)

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

Prime Minister

6½% - 7% for

Post Office Board Members.

Mus 14/9

Dear Geddy,

PAY OF NATIONALISED INDUSTRY BOARD MEMBERS : POST OFFICE

You asked in your minute of 28 July to the Prime Minister that sponsor Ministers should notify you and colleagues of their proposals for Board members' pay.

2 Mr Dearing proposes that for 1982/83 the pay increase for Post Office Board Members should be in line with that currently being negotiated for senior staff in relation to both implementation date and level. His recommendation is therefore that the award should run from 1 April, and should amount to the 6½% which is emerging as the likely settlement for senior staff. To include some performance related element he also proposes that Board Members should benefit from a per capita sharing in equal parts between the business and all employees of any savings due to the Post Office exceeding its Real Unit Cost objective for the current year. Even if this were to materialise, however, Mr Dearing is confident that the total increase for Board Members would not exceed 7%.

3 These are, I believe, modest proposals which we should support, but Mr Dearing is concerned that even with this increase the level of pay for Board Members is unlikely to be sufficient to attract and retain the best people. Indeed he may well soon lose one of his most able Board members to a better offer from outside. With this in mind he intends to invite consultants to



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make recommendations on the pay of Board Members and senior staff, looking at the same time at the question of relating pay to performance. The results of this survey are expected at around the turn of the year.

4 I am copying this letter to the Prime Minister, to other members of E(NI) and to Sir Robert Armstrong.

*You are*  
*Katue*

*not Ind. Board Salaries*  
*PR*