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10 DOWNING STREET

THE PRIME MINISTER

9 February 1983

Dear Sir Frank,

You wrote to me on 22 December about the delay in dealing with proposals for an increase in your salary as Chairman of the British Waterways Board. It has, I am afraid, taken a little while for me to look into the matter, which you will understand principally concerns the Secretary of State for the Environment in consultation with the Chancellor of the Exchequer.

Naturally I had to consult them and they in turn their senior officials. But I was deeply distressed to hear that your letter to me had been communicated to an official of the Board. Such a breach of confidence was disgraceful and steps have been taken to ensure that it does not happen again.

Your Board will be hearing formally from the Department that your full-time salary is to be increased to £25,000 a year. I realise that this is considerably less than they claimed on your behalf, but an increase of 18% is substantial at a time when pay settlements generally are in low figures; and it is above the general level of increases for chairmen this year. Your new salary will be retrospective from 1 January, 1982 and will, of course, count towards your pension. I hope this will help.

May I finally take this opportunity of expressing my thanks to you for your many years of devoted public service.

With every good wish.

Yours sincerely

Originals  
in Applo.

Sir Frank Price, D.L.



P. J. Harrop, C.B.  
Second Permanent Secretary

DEPARTMENT OF THE ENVIRONMENT  
2 MARSHAM STREET LONDON SW1P 3EB  
01-212 8295

7 February 1983

cc Tony (10/2)

IN CONFIDENCE

Michael Scholar Esq  
No 10 Downing Street  
London  
SW1

Dear Michael

You recorded in your letter of 4 February to Mr Shaw's Private Secretary the outcome of the Prime Minister's meeting with the Chancellor of the Exchequer, Mr Shaw and myself about Sir Frank Price's salary.

Mr Shaw and I have considered the various points you mentioned and have had a further discussion with the Chancellor.

There is general agreement that we ought not to extend Frank Price's pay beyond the date when his contract ends on 30 June. He has known for three years when his appointment as chairman might be terminated and he is being given slightly more than six months notice of his departure. Six months is the general standard Ministers have set for the period of notice to the board members of nationalised industries, and it is, of course, a good deal better than we were managing to achieve a while ago. The Secretary of State and Mr Shaw do not want to extend Sir Frank Price's term and it really would be very awkward to pay him for time that he was not working.

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We have examined Sir Frank's pension arrangements as best we could without consulting him or the Board first. We concluded that there was little prospect of significant improvement. Under present arrangements he cannot have his pension before the age of 62. We intend to explore further the possibility of giving him his pension when he retires.

We then looked again at salary levels. In his letter of 7 February Mr Giles Shaw proposed to the Chancellor of the Exchequer that there was a case on merits for raising Sir Frank's salary from the figure of £25,000 agreed at the Prime Minister's meeting to £27,500. After discussion with Mr Shaw the Chancellor concluded that it would not be right to do this. Settlements in the nationalised industries have generally been kept within a band of 5% - 15%; and an increase of some 30% to a chairman in post would in present circumstances be excessive. It is proposed to stick to the figure of £25,000 a year but to backdate it to 1 January 1982 - which would add £750 as the higher pay for the extra quarter.

I attach a draft reply to Sir Frank Price for the Prime Minister's signature.

*Yours sincerely*

*Peter.*

P J HARROP

PERSONAL

DRAFT LETTER FROM THE PRIME MINISTER TO SIR FRANK PRICE,  
CHAIRMAN OF THE BRITISH WATERWAYS BOARD

You wrote to me on 22 December about the delay in dealing with proposals for an increase in your salary as Chairman of the British Waterways Board. It has, I am afraid, taken a little while for me to look into the matter, which you will understand principally concerns the Secretary of State for the Environment in consultation with the Chancellor of the Exchequer.

Naturally I make no apology for consulting them and they in turn their senior officials. But I was deeply distressed to hear from you that your letter to me had been communicated to an official of the Board. Steps have been taken to ensure that this sort of thing does not happen again.

Your Board will be hearing formally from the Department that your full-time salary is to be increased to £25,000 a year. I realise that this is considerably less than they claimed on your behalf, but an increase of 18% is a substantial increase at a time when pay settlements generally are in low figures. Your new salary will run from 1 January 1982 which will give you the benefit of considerable backdating; and it will, of course, count towards your pension.

May I finally take this opportunity of expressing my thanks to you for your many years of devoted public service.



DEPARTMENT OF THE ENVIRONMENT  
2 MARSHAM STREET LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

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NAT IND.

7 February 1983

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON SW1

*Geo Howe*

Following our meeting with the Prime Minister about Sir Frank Price's salary I have been reviewing the BWB situation.

Quite apart from any question of Sir Frank's treatment over the years, we now very much doubt whether a response of £25,000 to a Board bid for a salary of £35,100, backed by a consultant's report will do.

The General Manager of BWB at present earns £25,145 and will get a further salary increase this year. As a general principle we think it right that Chairmen should earn, in terms of full-time salary, more than their Chief Executives.

In all the circumstances, I have concluded that we should seek your agreement to a salary of £27,500 from 1 April 1982. This was the sum that our officials originally canvassed with yours in May. It represents a salary increase of some 30% but we should have no difficulty in justifying it in the light of the consultant's report on the BWB Chairman's salary. It will be rather less than the salary of the Chairmen of the smaller Water Authorities when they have been adjusted in the light of the NWC's recommendations and consultant's report; and this is as it should be.

Our intention would be to pay a new Chairman when appointed in July this year at the same rate, and not to review his salary until July 1984.

In Tom King's letter of 9 December, he suggested a full-time salary of £20,000 for the Vice-Chairman. At present his full-time salary is £17,388: so in his case the increase would be 15%. A full-time salary of £20,000 seems about right in relation to the Chairman's and General Manager's salary.

I am copying this letter for information to Michael Scholar.

*Giles Shaw*

GILES SHAW

17 JAN 1963

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