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Prime Minister

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

MUS 31/3

30 March 1983

The Rt Hon David Howell MP
Secretary of State for Transport

mt

David Howell

BRITISH RAILWAYS BOARD PAY

Thank you for your letter of 30 March.

with mcs

I agree that it would be reasonable to award a general increase of 6 per cent to BR Board members for their long-delayed 1982 pay settlement. As you say, in the context of the increases awarded to Boards last year, this is reasonable. I agree also that the performance of Mr Reid and Mr Fowler has been such as to merit the 10 per cent increase you propose for them.

Copies of this letter go to the Prime Minister, other members of E(NI) and Sir Robert Armstrong.

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Howe

GEOFFREY HOWE

11 MAR 1983



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister ²

ms 31/3

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

30 March 1983

Dea Seab

BRITISH RAILWAYS BOARD PAY

attached

I told you in my letter of 20 October of Sir Peter Parker's preliminary proposals that for 1982 there should be a general increase in pay for the Board members of six per cent, with exceptionally high increases of 10 per cent for Mr Bob Reid and Mr Derek Fowler. Now that the general 1982 pay issue has been settled with the unions, Peter Parker has put these proposals to me formally.

In comparison with what has been done on other Boards for 1982, these are fairly modest proposals. I am sure it is right to give an extra increase both to Bob Reid and to Derek Fowler. Your agreement to these proposals before Easter would be much appreciated.

Copies of this letter go to the Prime Minister, to other members of E(NI) and to Sir Robert Armstrong.

[Handwritten mark]

Howell
[Signature]

DAVID HOWELL

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30 MAR 1983



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister ²

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

rus 32/3

27 October 1982

Dear Sir

NATIONALISED INDUSTRY BOARD PAY, BTDB AND NBC

Thank you for your letter of 4 October conveying your agreement to my proposals for increases of 15% for members of the Boards of the National Bus Company and British Transport Docks Board. I can confirm that it is my wish to implement the NBC increases as from 1 March and I am grateful for your agreement that the members of that Board should be allowed some freedom of movement within their ranges as from that date. I shall ensure that my officials discuss with yours the timing of any announcements.

I have now received preliminary proposals from Sir Peter Parker in respect of British Rail. He is inclined to recommend a general increase in line with what is eventually agreed with his Unions - expected to be 6% - but he and I agreed that we should not take a final decision until he has reached agreement with his Unions about McCarthy. He has warned me that he is likely to wish to make a plea for higher increases of 10% for two of his most senior members. These proposals seem to me to have a good deal to commend them, but I will write to you again when I have received final proposals from Sir Peter.

David Howell
DAVID HOWELL

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30 FEB 1985

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ff w/mintry response. *WJ*



DEPARTMENT OF TRANSPORT *a/r*
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime minister 2

P Jenkins Esq
Private Secretary to
The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
SW1P 3AG

Mr Howell proposes increases of 15% in Board members pay for the British Transport Docks Board and the National Bus Company. He wishes to defer a decision on pay for the BR Board. 9 August 1982
You will probably wish to see the Chancellor's response before deciding whether to comment.

Dear Peter,

WJ
10/8

NATIONALISED INDUSTRY BOARD PAY

In his minute of 28 July to the Prime Minister, the Chancellor of the Exchequer proposed that, where bids from nationalised industries had already been received, sponsor Ministers should send their considered proposals to him, with copies to colleagues, within the next three weeks. The Chancellor left it to the judgement of Ministers as to whether they should have further discussion with Chairmen.

Before he went on holiday on Wednesday, my Secretary of State considered the bids which had been received from his three industries as set out in the note by Treasury officials attached to the Chancellor's paper E(NI)(82)23, and also had a further talk with the Chairman of the Railways Board, Sir Peter Parker.

The Chancellor said in his minute to the Prime Minister that a bracket of 5-15% had tentatively been suggested at his meeting with colleagues. My Secretary of State would like to recommend that, for the British Transport Docks Board and the National Bus Company the increase should be set at 15%.

So far as the British Transport Docks Board is concerned, the note by Treasury officials recognised that the Board's own proposals, which provided for increases varying from 24% to 31%, were derived from the 1980 recommendations of the TSRB, with a 5% increase for the last year.

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My Secretary of State hopes, with some confidence, that it will be possible to achieve privatisation for the Board early in 1983. In those circumstances, although in his view there is a good case for the Board's own proposals - there is at present a problem of inverse differentials, and all of the directors are badly paid by comparison with officials in other much less successful and smaller ports - my Secretary of State concludes that in the light of the previous discussion with the Chancellor, he would not want to recommend anything more than 15%. But he feels that the BTDB do have a good case, because of the extent to which it is based on a recommendation from the TSRB, who recognised that the BTDB ought to have been in a higher class for pay purposes and he would want to reconsider the matter if any further exceptional increases were given to other Boards because of previous TSRB recommendations. In his view on the basis of achievements and comparisons with other less successful ports, as well as internal differentials, 15% is the least that makes sense.

So far as the National Bus Company are concerned, the recommendations made by the Company, based on a very full report by management consultants, envisaged increases ranging between nearly 30% and nearly 40%, with 17% for the Chairman. The report by consultants was based on the need to provide a reasonable career structure for senior management in NBC subsidiaries and on comparisons between NBC salaries and those paid to the directors and senior staff of the other major bus operators, particularly bearing in mind that there is some movement of staff between the various operators. My Secretary of State has had to consider these proposals in the light of the fact that the three Regional Directors not on the Board (the fourth is Mr Rawlinson, who is on the Board) and the Directors of Finance and Engineering are all on salaries very similar to that of the Deputy Chief Executive, and higher than those paid to the other two full-time Board Members. It is also relevant to note that one of the passenger transport executives recently failed to fill the post of Deputy Director when they advertised it in a scale extending to over £26,000. NBC has a good record on performance achievement; they have always kept within their EFL and in 1981 they achieved a real reduction of 4.4% in operating costs per vehicle mile, which was a considerable improvement on the target of 3% which the Secretary of State had set them. So there is a good case for the proposed increases, but Mr Howell would not want to propose more than 15% for the current year.

There is however one additional point which my Secretary of State has asked me to make. It was only agreed earlier this year that the present scales should replace the fixed point salaries to which the full-time Executive Members of the Board were previously confined. The present position is that they would not be able to move within those scales until the next anniversary of appointments in each case - a rule which would mean that one at least of the members would never benefit, because he is retiring at the end of the year. In view of his recommendation that the salary increases should be kept well below the level justified by the report by the management consultants, my Secretary of State hopes that the Chancellor would be prepared to agree that the rule might be relaxed, and allow the Chairman and the part-time members to recommend some movement within the scales during the course of the current year.

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Turning finally to the Railways Board, my Secretary of State discussed with Sir Peter Parker what kind of increase might be justified in the present very difficult circumstances, how we could best overcome the political difficulties of presentation, and whether it would be appropriate to agree to a uniform figure of increase for all the Executive Board Members, or whether some should receive more than others in recognition of exceptional performance. Sir Peter has asked for a little time to consider, and will be letting us have his views by the end of the month.

My Secretary of State feels that there is a major problem here. On the one hand, the Railways Board have shown great resolution over recent months, and it is no mean task to have won decisively against two major union strikes. The proposals earlier put forward by the Board, although no doubt excessive and lacking in political sensitivity, are based on a detailed report by management consultants, and major increases could certainly be justified by comparison with wages elsewhere. On the other hand, it would be extremely difficult to justify immediate increases for Board Members substantially in excess of the very low increases which are now being discussed, in front of the McCarthy Tribunal, for the BR workforce. Finally, there is absolutely no doubt that an increase for the Chairman himself, however well justified, is going to be a focus of public criticism.

In all the circumstances, my Secretary of State feels that it would be easiest to take a view on how best to handle Railway Board Member salaries when he has been able to consult further with Sir Peter Parker and perhaps when we know what will have been the result of the present McCarthy hearings, and whether or not the Board will succeed in achieving the productivity savings still in dispute. He hopes, therefore, that the Chancellor will be prepared to agree that in the special circumstances, the issue on BR Board pay can be held over, and need not delay taking a view on the generality of the industries.

I am copying this to the Private Secretaries of those who received the Chancellor's minute of 28 July.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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