

OLD

NO

Prime Minister ②  
Are Jones and Marshall  
both worth increases of  
14 per cent i.e. 7% +  
£4,000?

SECRETARY OF STATE FOR ENERGY  
10, WHITEHALL, LONDON SW1P 3BT

01-211-6402

AT 16/12

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1

No - we could replace  
Philip Jones any day.

1 December 1983

I see no reason for  
these increases - would  
I think they would be quite  
worth it.

ELECTRICITY SUPPLY INDUSTRY BOARD SALARIES

I have been reviewing Board remuneration in the electricity supply industry following the submission of a report from the Electricity Council's Advisory Panel on Members' Salaries earlier in the year.

why?

The Panel urge substantial pay increases, based on a job evaluation study carried out by management consultants and involving comparisons across large private and public sector organisations. The Panel also point out that since the new arrangements for Board pay were implemented in 1981, increases received by ESI Members have in general been less than those awarded to classes of appointment which continued to be subject to the recommendations of the Review Body on Top Salaries. Our stated purpose in taking the nationalised industries out of the TSRB system was to allow market forces more play in the determination of salaries and to give responsibility for recommending rates of pay to the Boards themselves. If nationalised industry Board Members find themselves falling behind the TSRB categories, they may legitimately wonder how it is they were supposed to benefit by the new arrangements

I recognise of course the potential exemplary implications of pay increases for Board Members. I therefore propose that the general increase for ESI Board Members, both full- and part-time, should be 7 per cent on existing scale points from 1 April 1983. This is slightly above the 5.8 per cent at which the ESI unions generally settled earlier in the year and is politically defensible, in my view.

In the case of the two Chairmen, Walter Marshall and Philip Jones, I propose awarding an extra £4,000 from 1 April 1983, taking them both to £64,000 per annum. This reflects the outcome of your own review before the Election of the salaries of Marshall and Jones in the light of the responsibilities of the two posts and Geoffrey Howe's agreement to the general principle at that time.

I further propose to extend the existing pay ranges for ESI Board Members by adding five incremental points to each ten point range and three points to the five point range for Area Board Deputy Chairmen. The extra points will help deal



with problems of rewarding individual performance, recruitment and retention that arise amongst the thirty or so ESI Board Members that I appoint. Increments would continue to be awarded on the anniversary of appointment according to the arrangements we agreed with the nationalised industries in 1981. I intend to make it clear to Jones and Marshall that the extended ranges are to be used to tailor rewards to the worth of the individual and that I should not be prepared to confirm any increases except on this basis.

I believe my proposals are consistent with the tenor of our last discussion in E(NI) on 18 October though they do not go as far as your own proposals which would have devolved pay of full-time Board Members considerably further than at present. Insofar as pay increases for ESI Board Members receive publicity, I would expect it to be the 7 per cent general increase that would be noted.

I am sending copies of this letter to the Prime Minister, the other Members of E(NI) and to Sir Robert Armstrong.

PETER WALKER

ET DEC 1983

