



10 DOWNING STREET

Prime Minister ①

The Chancellor's proposal arrived before I minuted out.

He suggests:

(i) 7% cut for all board members
but (ii) no extension of scale of increments

(iii) £1,000 rather than £4,000 extra for Marshall and Jones.

Would you be content with this or do you want to argue for something still lower?

AT

19/12

7% for board members is very high
—
 no



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HMT *SH*

cc CDLO DTI
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10 DOWNING STREET

From the Private Secretary

20 December, 1983

Electricity Supply Industry Board Salaries

Ob

The Prime Minister has seen your Secretary of State's letter to the Chancellor of 1 December, and the latter's reply of 15 December. She feels that both the 7 per cent increase for Board members generally and the additional increases proposed for Sir Walter Marshall and Mr. Philip Jones are too high. She would be grateful if the proposed increases could be reconsidered.

I am sending copies of this letter to Private Secretaries to members of E(NI) and to Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

M. Reidy, Esq.,
Department of Energy

CONFIDENTIAL

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Chancellor of the Duchy of Lancaster

 CABINET OFFICE,
 WHITEHALL, LONDON SW1A 2AS

 Prime Minister ²

 To note CDL's support
 for your position

22 December 1983

 AT
 22/12

Dear Michael

ELECTRICITY SUPPLY INDUSTRY BOARD SALARIES

The Chancellor of the Duchy has just seen your Secretary of State's letter of 1 December to the Chancellor of the Exchequer which was not, by some error, originally copied to us. He shares the view reported in Andrew Turnbull's letter to you of 20 December that all the proposed increases are too high.

I am sending copies of this letter to the Private Secretaries to members of E(NI) and to Richard Hatfield.

yours sincerely

Sebastian Birch

SEBASTIAN BIRCH

 M Reidy Esq
 Department of Energy
 Thames House South
 Millbank
 London SW1P 4QJ

Nat Inst
Board Sec,
Pt 2

22 DEC 1983





cc Mr A Turnbull - No 10
PS/SS Energy
PS/SS Trade & Industry
PS/SS Transport
PS/SS Environment
PS/SS Scotland

NBPM BT 10/11

Treasury Chambers, Parliament Street, SW1P 3AG

D E Dodds Esq CBE, LLB, Comp IEE
Association of Members of
State Industry Boards
c/o South Western Electricity
Board
Colston Avenue
Bristol
BS1 4TS

21 December 1983

Dear Mr Dodds

PAY OF NATIONALISED INDUSTRY BOARD MEMBERS (1983)
BELOW NATIONAL CHAIRMEN

The Minister of State has asked me to reply to your letter of 30 November. - *will report if required*

As you know, the Prime Minister announced on 7 July 1980 that the pay of members of nationalised industries and certain other boards should be removed from the TSRB's remit. The TSRB had itself expressed doubts about whether it was an appropriate body for setting salaries increasingly dominated by market factors - doubts which the Government shared.

It is therefore the view of the Government that market and managerial considerations are the main criteria when deciding salaries for the nationalised industry boards, rather than traditional comparisons and rankings. Following this, the Government does not think that it is relevant to continue to compare board members pay with other public service groups.

When Mr Bush wrote to you on 5 August 1982 he noted that because of national economic circumstances the Government had to limit most board members to increases not exceeding 7% in 1981. But in 1982 and 1983 the system has been made to work much more in the manner for which it had been designed. As you have said increases in the 1982 pay round ranged between 5% and 18% and this recognised Ministerial judgement of what was necessary and affordable in these industries.

For the 1983 pay increases Ministers will deal with the pay of each board on its merits. Working from the recommendations of the Chairman and non-executive members of each board, Ministers will decide what increases are appropriate bearing in mind the circumstances and merits of each industry and board member. But it would be wrong to think that in general this will mean that large increases will be approved or that there will not be a wide spread of settlements as between the various boards.

With regard to privatisation, it is as you know the Government's intention to privatise as many of the nationalised industries as is possible. Where privatisation has already taken place, the boards (with shareholders' approval) will no doubt have fixed salary levels which take account of profitability and will recognise the different responsibilities which board members have to carry when they are no longer within the public sector.

Your memorandum also mentions some longer-term issues. The Government are in regular contact with the NICG but there have not yet been detailed discussions on the matter of appointments procedures (including service contracts) and pay determination. These matters are still under consideration and the Government will be discussing them with the NICG in due course. I can confirm that under existing statutes, Ministers are responsible for determining board pay and cannot delegate this responsibility.

The Minister of State has noted your concluding points. In fixing the 1983 salary increases, due account will be taken of the need to motivate board members and to reward and retain people of experience and ability.

Yours sincerely

Michael Corcoran

M E CORCORAN
Private Secretary

19 JAN 1984

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