

PRIME MINISTER

Electricity Supply Industry Board Salaries

Peter Walker suggested in December that ESI Board members should receive a 7 per cent increase and a longer scale of increments. In addition, he proposed an extra £4,000 for Jones and Marshall, bringing their salaries to £64,000, representing an increase of 14 per cent. The Chancellor accepted the 7 per cent increase for Board members but opposed the longer scale. For the two Chairman he proposed an additional increase of only £1,000, i.e. £61,000, an increase of 9 per cent. The Chancellor of the Duchy thought all the increases proposed were too high. I minuted back to the Secretary of State for Energy asking him to reconsider.

He has written again, repeating that he thinks the two Chairman are worth £64,000. But he leaves the decision, in effect, to you and the Chancellor.

When Board members' pay increases were discussed in E(NI) in March, the then Chancellor proposed that they should lie in a range of 0 - 10 per cent. In discussion, some members of the Committee thought that the range should be 0 - 7 per cent, though this was not embodied in the conclusions. It was, however, recognised that exceptional cases could be outside the range.

The question is whether the cases of Jones and Marshall are exceptional. Certainly the electricity industry is extremely large and Jones has finally delivered the 2 per cent increase in electricity prices. But both are relatively recent and it is too early to say whether they have had a major impact on the industry.

Another factor to be considered is the discussion yesterday in E(NI) when it was concluded that the present system

of determining Board members' pay should continue but should be implemented robustly. It could be argued that these are just the sort of cases that Ministers ought to be robust about, i.e. face up to the flak for giving large increases.

Alternatively, you could put forward a compromise proposal of, say, £62,000, an increase of about 11 per cent, just above the top end of the range originally proposed.

Do you

- (i) want to accept Mr. Walker's proposal; or
- (ii) suggest a lower figure?

AT

I think Marshall
is worth a larger
increase than Jones.
Marshall could easily get
a better paid job.
mt

ANDREW TURNBULL

19 January, 1984



10 DOWNING STREET

Prime Minister ①

I see substantial difficulties in giving the two Chairmen different increases. When they were appointed, at dates not very far apart, it was thought that they should have roughly the same salaries. In the short time that has elapsed, it is difficult to point to any change which now justifies taking a different view.

A differential increase would be interpreted as either a comment on their relative performance or a signal about the role of the CEB in the electricity industry.

Do you want to pursue your suggestion? If not, at what level do you think their salaries should be set?

Yes - then
AT 12/1, which are very
different

CC NO

01 211 6402

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

18 January 1984

R. Marshall
You will know that I have received a letter from the Prime Minister's office concerning the salaries of Walter Marshall and Philip Jones.

I am anxious to settle this matter in a way in which both men feel that they have been treated reasonably and correctly. I gather that when you were here you also felt it was important to treat these two men in the same way, and certainly I am anxious to do that. It does strike me that with the size of these industries and with the profits they will be making, it is not unreasonable for them to receive a salary of £64,000 a year.

As far as Philip Jones is concerned he has certainly, in the months I have been here, worked exceedingly hard in order to assist the Government in the policy it wishes to pursue. He has, I know, very faithfully relayed our views to his Council, and in recent weeks has had a very considerable struggle with a number of Area Board Chairmen in order to persuade them and the CEGB to accept our latest proposals. The best information I have is that he has now succeeded in doing this.

This is a decision that you and the Prime Minister will have to decide upon. I believe that with the developments that are likely to take place with both the CEGB and the Electricity Council and the moves we are making towards privatisation, it is important these two men feel that they are being decently treated.

I am copying this letter to the Prime Minister.

Peter Walker
PETER WALKER

Nat. Ind. - Brad Salaries

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