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

22 March 1984

The Rt Hon George Younger TD MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON SW1A 2AU

George Younger

NATIONALISED INDUSTRY BOARD MEMBERS' PAY: SOUTH OF
SCOTLAND ELECTRICITY BOARD AND NORTH OF SCOTLAND HYDRO-
ELECTRIC BOARD

You wrote to me on 12 March about the salary increases
for the members of these Boards.

I am content with your proposals for both the Chairmen
and Deputy Chairmen. I agree that it is desirable for non-
executive members to make a greater input particularly on
efficiency review and audit committee work and provided the
increased time they spend on Board business is related to
specific additional responsibilities, I have no objection to
proposals for them. But I fear the way in which the Board
increases are likely to overlap with the negotiations with the
unions in these industries could cause problems. Given the
Parliamentary interest there has been in ESI Board salaries,
I do not think we could conceal the size of the increases for
long and it would be unfortunate if news of them were to
strengthen the unions' resolve to demand a large pay settlement
this year. It is difficult to judge what repercussions there
might be but I should not want to run any unnecessary risks.

I therefore think it would be sensible not to reveal our
decisions to the Boards until the manuals' negotiations have
been settled. If the Chairmen press you hard for a response,
I should have no objection if you were to give them a broad
indication of our intentions, informally and in the strictest
confidence. But you would want to make it clear that the
information should not become public knowledge and you will

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Board Salaries
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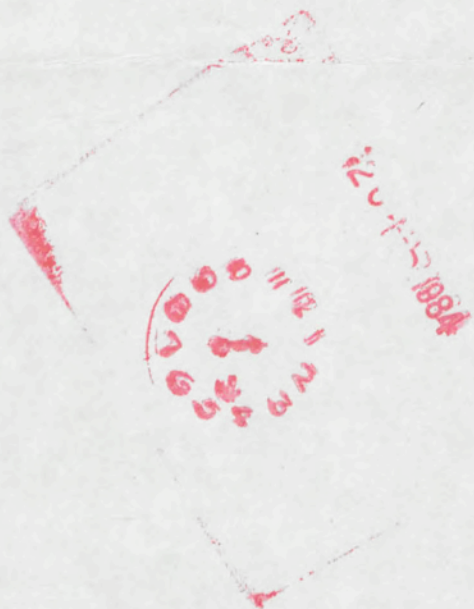


also wish to co-ordinate timing with Peter Walker.

Copies of this letter go to the Prime Minister and Peter Walker.

A handwritten signature in black ink, appearing to read "Nigel Lawson".

NIGEL LAWSON



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BF with Treasury response

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

12 March 1984

Dear Chancellor,

NATIONALISED INDUSTRY BOARD MEMBERS' PAY
SOUTH OF SCOTLAND ELECTRICITY BOARD AND NORTH OF SCOTLAND
HYDRO-ELECTRIC BOARD

This letter sets out my proposals on pay for members of the two Scottish Electricity Boards for the year beginning 1 April 1983.

In preparing these proposals I have had advice from the Boards themselves. In each case the non-executive members have recommended substantial increases for the Chairmen and Deputy Chairmen, who are the only executive members of the Boards; and both Chairmen have recommended significant increases for the non-executive members, together with a new basis for taking account of the extra commitment of time which many of them make. All these proposals are made for good reasons - to avoid problems of recruitment and retention and to reward successful effort - but in the light of our general policy on Board members' pay I cannot accept them.

I have seen the recent correspondence in which Peter Walker's proposal for a general increase of 7% for board members in the electricity supply industry has been agreed. His argument that these increases should be at or near the top of the range we had in mind in E(NI) and that it would be wrong to make smaller increases than those permitted for other industries, apply equally in Scotland. The Scottish electricity boards are efficiently run and the executive board members are of good calibre. I therefore propose that increases of 7% should apply to the Chairman and Deputy Chairman of the SSEB and the NSHEB. Special factors apply to the non-executive members, and these are discussed below.

The Chairmen have repeated their proposals of last year that extra payments be made to non-executive board members spending more time on Board affairs than is strictly required of them. They have also proposed fairly substantial increases on the basic salary of £3,050 - for SSEB to £3,500, an increase of 14.7% and for NSHEB to £3,675, an increase of 20.5%. They say that these increases are necessary to bring pay up to what they regard as market rates.

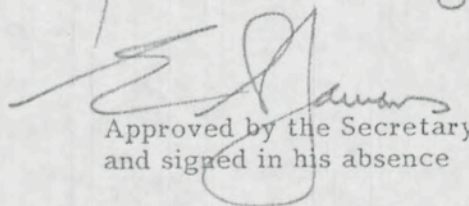
I have little sympathy with the proposal for large increases in the basic rate, and propose to increase these to 6.5% giving a salary of £3,250. I reckon that this is

not out of line with the market rate for non-executive Board memberships of this kind in Scotland, though 15 Board meetings a year is possibly somewhat more than the average. I do, however, feel that extra effort should be rewarded, especially as we are now expecting greater input from the non-executive members particularly on efficiency review and audit committee work. I would like to be able to recognise this by increasing where appropriate the number of days in respect of which members may be paid. I think a reasonable upper limit would be 21 days, compared with the present figure of 15: this would raise the maximum pay to £4,500. I hope you can agree that I should have discretion to proceed on that basis.

Summary

My proposals are summarised in the attached table.

I am sending a copy of this letter to Peter Walker and the Prime Minister.

Yours sincerely


Approved by the Secretary of State
and signed in his absence

PAY OF ELECTRICITY BOARD MEMBERS - 1983/84

	<u>Salary from 1 April 1982</u>	<u>Board's proposals Salary from 1 April 1983</u>	<u>% increase</u>	<u>Recommendation Salary from 1 April 1983</u>	<u>% Increase</u>
<u>SSEB</u>					
Chairman	£38,000	£45,000	18.4	£40,660	7.0
Deputy Chairman	£33,000	£38,000	15.1	£35,300	7.0
Non-executive Members	£ 3,050	£3,500-£4,500	14.7	£3,250-£4,500	6.5 on basic rate
<u>NSHEB</u>					
Chairman	£18,055	£20,000	10.8	£19,300	7.0
Deputy Chairman	£31,800	£36,000	13.2	£34,000	7.0
Non-executive Members	£ 3,050	£3,675-£4,500	20.5	£3,250-£4,500	6.5 on basic rate

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