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cc RITA's office pl.
CCND
NDPM
AT
17/4

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

Geoffrey Pattie Esq MP
Minister of State for Industry
and Information Technology
Department of Trade & Industry
1 Victoria Street
London SW1

15 April 1985

A large, stylized handwritten signature in black ink, appearing to read 'John Griffiths'.

MANAGING DIRECTOR OF GIROBANK

You wrote to me on 18 March about appointing a new Managing Director of Girobank on the Post Office Board.

I recognise that the issues concerning the future of Girobank are complex. I am also aware that it has taken some time to approach the point of reaching conclusions about privatisation and I am glad that Norman Tebbit expects to be able to present his paper very soon. I cannot however accept that this means we have to appoint a new Managing Director whilst all the options on privatisation remain open. Should the outcome of the current review be that Girobank is to remain within the public sector, which could easily involve constraining its role, we should be looking for an altogether different Managing Director from the kind of person needed to run a privatised National Girobank. I have no reason to doubt the competence of Girobank's present senior management; and with the part-time assistance of Mr Wainwright, I do not think there would be any danger if Girobank were to operate in the interim without a full-time Managing Director. The Bank of England agree with this.

It therefore remains my firm view that the appointment of a Managing Director should be considered once we have taken a decision on privatisation following your review. Once we have a clearer idea of Girobank's future, and hence the role of the Managing Director, we can then consider what salary arrangements might be appropriate.

I am copying this letter to the Prime Minister.

NIGEL LAWSON

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

POST + TELS

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CF.
PL cc to
RTA's office.

Mark 10 DOWNING STREET

~~Pethick~~ Thank you. I suggest you send a copy to Sir Robert Armstrong, but otherwise leave to the Treasury, as you say.

I think you ought to see ^{FERB} this. 20.3.

It has not been copied to RTA.

Clearly there is some danger of potential candidates overbidding in the wake of Levene, and so far

those of the shortlist have been selected by Sir Ronald Peering.

That may ^{partly} explain the sums being asked for, despite what Mr Pethick says at the end of his letter.

Presumably we leave the Chancellor to deal further?

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No papers in
Apts. b 18/3/85
-WCF 18/3

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From the Minister of State
for Industry and Information Technology

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3AG

18 March 1985

Dear Nigel

GIROBANK

We corresponded towards the end of last year about the need to find a successor to Mr Sam Wainwright as the Managing Director of the National Girobank. In your letter of 27 November you said you were unwilling to take a view on this appointment until we were clearer about the prospects for privatising Girobank, and you remained to be convinced that a salary as high as £70-80,000 would prove to be appropriate.

As Norman Tebbit has recently told you, we are making good progress with our review of the privatisation possibilities for Girobank and we expect to be able to let you know our conclusions around Easter. The main issues are by no means straightforward and have required a lot of detailed examination. For example, a privatised Girobank would still need for the foreseeable future to use the Post Office's counters as its main means of conducting business with the public; equally the counters operation would need to retain Girobank's business if it was to remain viable without a further massive programme of Crown and sub-office closures. The long-term relationship between Girobank and the Post Office would have to be spelt out in a formal contract and we have to consider whether such an arrangement would be acceptable in terms of competition policy and our restrictive practices legislation.

We must also handle the industrial relations aspects of privatisation with great care. The Militant Tendency and their supporters have built up a strong position in the trade unions at the main Girobank centre in Bootle. We cannot assume that they would necessarily stop short of destroying Girobank as part of their political opposition to our privatisation programme, nor, unfortunately, that they would be unable to influence many of the workforce to follow them regardless of the consequences for their

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jobs. Confidence is, of course, the essence of a banking operation and, as was made clear at the time of the pay dispute last autumn, even a short interruption of normal working at Bootle would cause Girobank a disastrous loss of its most important customers.

I mention these points at this stage simply to indicate to you that privatisation of Girobank is a more complex problem than it may appear at first sight and necessarily involves a good deal of detailed work, which takes time.

Meanwhile, Mr Wainwright is now on the point of retiring from the Girobank. Although he will remain on the Post Office Board and supervise Girobank's affairs on a one-day-a-week basis, Sir Ronald Dearing regards this as only a stop-gap arrangement and is pressing us to reach an early decision on a successor. Strictly speaking, the choice of a new Managing Director, Girobank, is one for the Post Office Board to make and our approval is required only for the appointment of whoever is selected as a member of the Board itself; but Sir Ronald is anxious to co-operate closely with us in this decision. He has sought the advice of headhunters and has let us have a short-list of four candidates, all of whom he believes could be capable of providing the necessary leadership to Girobank and steering it through the process of privatisation, if that proves to be our chosen course. In his order of preference, this short-list is:

- 1 Mr Malcolm Williamson, aged 46, currently Regional General Manager (London) with Barclays Bank.
- 2 Mr Fabian Samengo-Turner, aged 54, currently Director (Southern Europe) with Citibank.
- 3 Mr Daniel Hodson, aged 41, currently Finance Director of Unigate and a non-executive member of the Post Office Board (formerly with Chase Manhattan).
- 4 Mr David Somerset, aged 54, currently Chief Cashier at the Bank of England.

I must say that I sympathise with Sir Ronald's wish for an early appointment to be made. Girobank operates in the highly competitive and swiftly changing financial services market and irrespective of whether it is to be privatised or not it will need firm and skilful direction if it is to continue to be successful. A prolonged interregnum would almost certainly cause a serious loss of momentum and damage future prospects. If an early appointment was to be made it would naturally have to be on the basis that all our options on privatisation remained open and that we would expect a new Managing Director to co-operate fully in whatever policy we eventually decided to pursue. I doubt whether that would cause difficulty with any of the short-listed candidates.

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I should therefore like to make arrangements soon to meet Mr Williamson (and possibly others on the short-list) with the aim of making a decision on Mr Wainwright's successor as soon as possible. You should be aware, however, that the advice we had earlier been given by the Bank of England about the level of salary likely to be necessary to attract suitable candidates for this post has been borne out by the results of the headhunters' search. Mr Williamson's current earnings with Barclays are about £65,000 a year and he has said that if he was to be persuaded to give up his assured prospects there for the riskier, if more challenging, Girobank job, he would expect us to offer £75,000-£80,000. Mr Samengo-Turner's current remuneration package is worth the equivalent of over £100,000 a year and he has made it clear that he would not be interested in the Girobank post unless a salary of at least £95,000 was available. No doubt there would be some scope for negotiation on these figures, but if I am to begin discussions with any of the short-listed candidates I should need your authority to offer a salary of up to £75,000 if this proved necessary to secure the best man for the job. Sir Ronald has assured me that he would regard this as a unique appointment and would not expect the salary to set any kind of precedent for the next review of his own salary or those of other Board members.

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

GEOFFREY PATTIE

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