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Secretary of State for Trade and Industry

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1 June 1984

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

*D Nigel.*

NATIONALISED INDUSTRIES BILL : BOARD APPOINTMENTS, DISMISSAL  
AND COMPENSATION

Thank you for your letter of 18 May setting out the latest proposals for dealing with the appointments, dismissal and compensation of nationalised industry Board members.

2 I fully agree with the points made in the letter and I am content that we should proceed as you suggest. I would like however to make two points on the detailed proposals set out in the Annex to your letter with regard to the length of appointments and the notice of dismissal. In an industry which is subject to rapidly changing conditions a normal term of five years might be too long. I would hope that there will be sufficient flexibility for appointments to be normally up to five years where this seems appropriate for a particular industry. Where such shorter terms are used, there should also be a shorter period of notice of dismissal. I hope therefore you will agree that the proposed Bill should provide the powers for the Secretary of State to dismiss any Board member on twelve months' notice or such shorter period as is specified in the individual minute of appointment.

3 I am sending a copy of this letter to the recipients of yours.

*[Signature]*  
NORMAN TEBBIT



NAT. IND: Board Solovics: PG 2.





DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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21/6

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

21 June 1984

Dear Nigel

NATIONALISED INDUSTRIES: BOARD APPOINTMENTS, DISMISSAL  
AND COMPENSATION

Thank you for sending me a copy of your letter of 18 May  
to Norman Tebbit on this subject.

I think that so far as concerns full time executive members, we are close to a more satisfactory regime. I do however wonder whether it will be satisfactory to leave the provision for compensation to be negotiated on each appointment. I can see that we may certainly need some flexibility, but a provision in the statute on the minimum basis of compensation might both reassure NICG and simplify greatly the handling of individual appointments.

I am more concerned about whether we have yet reached a satisfactory position in relation to non executive part-timers - those who serve less than 2 days a week and are therefore not eligible for pension. It seems to me that they are in a quite different category. As Peter Walker has said, we should not tie ourselves to a normal period of



appointment of 5 years. It may often be appropriate to appoint for less, as has been the practice for my industries. I do not see that members in this category should have an entitlement to compensation for failure of advanced notice about whether they will be reappointed. These appointments can in fact carry no expectation of reappointment and indeed we would I think usually favour some turnover among the part-time members. I suggest therefore we should establish the contrary assumption, that there will not be reappointment and that it is therefore up to the Minister to act early if he wants to secure the member's continued services. There would be no question of compensation.

The point that concerns me most however is the idea that dismissal of part-time members should lead to compensation on the standard formula. Of course, the members should have notice or compensation in lieu of that. But I cannot see the case for more. It really is most unreal and artificial to claim to make a judgement about a person's prospects of obtaining an employment which will be an alternative to an existing appointment that may take as little as half a day a week. This unreality comes out sharply in the case of those members of the London Transport Board, appointed by the GLC, whom I dismiss on taking over the new responsibility for London Regional Transport. I have written to you separately about that. I think that the right principle in dealing with part-time members, is that if they are dismissed they should have compensation in lieu of a fixed period of notice, and nothing more.



I am copying this to the Prime Minister, to other  
E(NI) members and to Sir Robert Armstrong.

*Yours em.*  
*Nicholas*

NICHOLAS RIDLEY

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1984

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**CONFIDENTIAL**

2 MARSHAM STREET  
LONDON SW1P 3EB

01-212 3434

My ref: J/PSO/13932/84

Your ref:

CONFIDENTIAL

13 June 1984

Dear Nigel,

**NATIONALISED INDUSTRIES: BOARD APPOINTMENTS, DISMISSAL AND COMPENSATION**

I am glad of the chance to comment on your letter of 18 May to Norman Tebbit.

The policy we agreed in E(NI) on 17 January, on the terms of appointment to nationalised industry boards, makes it easier for us - or our successors as Ministers - to dismiss board members. We have to recognise that it will make these appointments less attractive - and appointees are already aware that they can fall out of favour without having fallen down on the job.

Despite these considerations, and Arthur Cockfield's point that the compensation terms you propose are less than would be normal at this level in the private sector, I do not think that we can, as a rule, pay more compensation than a court would award. But we must be prepared, in appropriate cases, to appoint on better terms if we are not to lose some of the people we want as board members.

In some nationalised industries, board members are entitled, under the terms of their present appointment, to compensation for early retirement under their industry's ordinary arrangements. We have always recognised that such people cannot be expected to accept a worsening of their terms when appointed to the board, and we should stick to that approach.

Secondly, to some people the possibility of being paid off with less than a year's salary without reasons given in four years' time might be a serious drawback when an appointment is offered; we must not foreclose the possibility of negotiating different terms in particular cases.

I am content to agree your proposals with these two provisos.

I am copying this letter as you did yours.

*Yours ever*  
*Patrick*

PATRICK JENKIN

Rt Hon Nigel Lawson MP





Chancellor of the Duchy of Lancaster

CABINET OFFICE,  
WHITEHALL, LONDON SW1A 2AS

22 June 1984

NBPM  
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Dear Nigel,

## NATIONALISED INDUSTRIES: BOARD APPOINTMENTS, DISMISSAL AND COMPENSATION

My earlier letter - of 23 May - was really directed to the position of full time members and particularly Chairmen, as these are the people who can cause so much trouble and whom it can be most important, and difficult, to get rid of.

So far as part-timers are concerned, I entirely agree with what Nicholas Ridley says in his letter of 21 June. In general it does not matter all that much if they do leave: therefore we do not need to protect our position by providing for long periods of appointment or long periods of notice. From their point of view, the claim to compensation is exiguous to a degree. If they are professionals they have no better claim than one's lawyer or accountant, or one's bank for that matter, if one decides to take one's business elsewhere. If - as so often happens - they are retired worthies, they are lucky to have got the appointment in the first place: it is hard luck if they lose it: but hardly a suitable subject for compensation.

I am copying this to the Prime Minister, other members of E(NI) and to Sir Robert Armstrong.

COCKFIELD

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



22 JUN 1984

