

APPOINTMENTS IN CONFIDENCE



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

13 June 1984

The Rt Hon Norman Tebbit MP
Secretary of State for Trade
and Industry

Norman

BRITISH SHIPBUILDERS: BOARD SALARIES

You wrote to me on 29 May with your proposals for the 1983-84 and 1984-85 salaries for the BS executive Board members (excluding the Chairman).

I understand that both Mr Hares and Dr Milne have assumed significant additional responsibilities since the arrival of Mr Day and the departure of the full-time Deputy Chairman. In particular, I gather that Mr Hares is now the effective deputy to the Chairman across the whole range of the Corporation's activities. The increase for Mr Phelps is very large, though I appreciate it would still leave him with a lower 1983-84 salary than Mr Steele for whom you are proposing no increase. But if you are satisfied that his performance warrants this and that a large increase is required in terms of the internal relativities for this Board, I should not want to object to your proposals for 1983-84.

For 1984-85, I am sure you are right to seek to revert to the previous pattern of settling salaries early in the financial year. I am content with your recommendations of 5.9 per cent for Mr Phelps and no increase at all for Mr Steele. But I do not think the further large increases proposed for Mr Hares and Dr Milne could be justified on the basis of your letter alone. As you will be aware from the Parliamentary and press reaction to some of the increases announced recently, large percentage rises for nationalised industry Board members can still attract considerable attention.

/Unless

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Unless therefore there are any special factors which you have not brought out in your letter, I feel bound to ask you to re-consider your proposals. Against the substantial increases agreed for 1983-84, I hope the increases for 1984-85 can be kept to single figures in percentage terms.

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

A handwritten signature in dark ink, appearing to read "Nigel Lawson". The signature is stylized with a large, sweeping initial "N" and a long, horizontal stroke extending to the right.

NIGEL LAWSON

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