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

27 July 1984

The Rt Hon Norman Tebbit MP  
Secretary of State for Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

*Norman*

NATIONALISED INDUSTRY BOARD MEMBERS: TERMS OF APPOINTMENT

Following the various E(NI) discussions we have had on nationalised industry Board members' terms of appointment and the Nationalised Industries Bill, we are now in a position to finalise the details of the proposed new arrangements.

...

I enclose a note to be sent to the Nationalised Industries' Chairmen's Group at the same time as they are consulted about the Bill in its entirety. The note takes fully into account the points made by various colleagues but I should draw attention to the following aspects:

(i) Length of appointments

Some Ministers wish to be able to make Board appointments for shorter terms than the 5 years which E(NI) decided should be normal. I think that 5 years will usually be right but as the proposed Bill will not specify the length of an appointment, there will be no prohibition on shorter terms and exceptions can be settled on a case-by-case basis.

(ii) Loss of office and compensation

We agreed that the draft Bill should provide a minimum of 12 months' notice if Board members are to be removed from office. I am sure that the statutory protection this affords Board members is the right counterpart to the loss of office provisions. It will presentationally be helpful to have "12 months" appearing on the face of the statute and I do not think therefore



that we should change this to, say, "12 months or such shorter period as may be laid down". It is agreed, however, that the Bill should be drafted so there is some flexibility in compensation provisions. To achieve this, the legislation will contain the power to promise compensation but the terms on which the compensation is calculated will not be prescribed in statute. This will be a matter for individual instruments of appointment, although the general presumption will be that the approach described in the enclosed note will be followed. If a Board member can be prevailed upon to resign rather than be dismissed, it will be possible to pay compensation.

(iii) Compensation for Board members promoted from within the industry

Some Board members promoted from within an industry have been allowed to retain certain elements of their staff contracts. I do not think that this is altogether desirable but the Bill will not change present practice. The terms on which an employee joins the Board will, as now, be a matter for individual determination and administrative decision to be set out in the instrument of appointment. The loss of office procedures will of course apply but the effect may be that certain members will revert to employee status rather than leave the industry. There may also be different compensation terms.

(iv) Non-executive members

It will be necessary to give a part-timer formally 12 months' notice if he is to be dismissed but, of course, I would expect that in practice an unsatisfactory non-executive will normally be prevailed upon to leave more quickly. Some colleagues have argued that compensation should not be payable to non-executive Board members (ie part-timers). I think on the whole there is something to be said for treating all Board members equally but because the compensation provisions are, as far as the Bill is concerned, discretionary and not mandatory, we can settle this on a case-by-case basis. The NICG note admits the possibility that compensation can be payable if a part-timer is dismissed and I think this is generally helpful if we are to attract good

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quality non-executive members. However, the terms are flexible and the details can be varied according to circumstances in individual instruments of appointment. I accept that it will not necessarily be appropriate to pay part-timers compensation if 6 months' notice is not given of an intention not to reappoint at the expiry of a term of office. The note allows for this.

I should be grateful if you and other colleagues would confirm by the end of the month that you are content with the draft note.

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

A handwritten signature in dark ink, appearing to read 'Nigel' followed by a stylized flourish.

NIGEL LAWSON

TERMS OF APPOINTMENT OF NATIONALISED INDUSTRY BOARD MEMBERS

PROPOSED NEW ARRANGEMENTS

The Government has reviewed the terms of appointment of nationalised industry board members and has concluded that some changes are desirable to bring contractual arrangements more into line <sup>those in</sup> with/the private sector. It is important to continue to attract good quality candidates to serve on nationalised industry boards and the proposed new arrangements should help to secure this.

2. Some minor statutory changes are needed to allow the new arrangements to be implemented. Subject to the passage of the necessary legislation it is intended that all future appointments and reappointments should follow the broad principles set out below. The exact terms to be applied to each board member will be set out in individual instruments of appointment agreed at the time of appointment.

Appointments

3. Board members will be appointed for a fixed term normally of 5 years. A board member may resign by giving 3 months notice in writing or such shorter period of notice as the Secretary of State may approve.

Grounds for declaring an office vacant

4. The Secretary of State may declare an office vacant if a board member:

(a) is absent from meetings of the Corporation for a period longer than 3 consecutive months without the Corporation's permission;

(b) becomes bankrupt or makes an arrangement with his creditors;

(c) is incapacitated by physical or mental illness

(d) is otherwise unable or unfit to discharge the functions of a member.

Instruments of appointments will be able to specify additional grounds if the Secretary of State considers it appropriate in the case of particular industries.

#### Termination of office

5. The Secretary of State may terminate the appointment of any board member on 12 months' notice with no reason for loss of office needing to be given. Where this occurs, compensation will be payable.

#### Compensation

6. Compensation will be discretionary if a member's office is declared vacant under paragraph 4 (above). If a member's appointment is terminated, lump-sum compensation will be payable in respect of the unexpired period of an appointment. Normal terms for compensation will be as follows:

(a) a period of notice of 12 months, or compensation in lieu of notice equivalent to the salary that would have been earned in the notice period;

(b) additional lump sum compensation calculated by taking the gross loss of remuneration for the unexpired period of appointment (ie the time between the end of the notice period and the termination date of the appointment), reduced by the amount which the member might reasonably be expected to obtain from immediate pension or to earn in other suitable employment, the resulting net figure being discounted for immediate payment and adjusted to take account of loss of pension rights and of actuarial and tax considerations.

Arrangements may be varied for non-executive board members.

Re-appointment

7. The Secretary of State will expect to give board members 6 months' notice if it has been decided not to reappoint a board member at the expiry of a term of office. If due notice is not given, compensation up to the equivalent of 6 months' salary will normally be payable. Non-executive members may be excluded from these provisions.

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H M Treasury

26 July 1984

30 JUL 1984





SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
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The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

13 August 1984

*Nigel*

NATIONALISED INDUSTRY BOARD MEMBERS: TERMS OF APPOINTMENT

I have seen Norman Tebbit's letter to you of 6 August. Recent full-time appointments to the NCB have also provided for Board members to be removed from office at six months notice without a reason being given. While I recognise that we agreed in E(NI) that the Nationalised Industries Bill should provide for 12 months notice of removal from office without a reason, I agree with Norman that we should retain the flexibility we currently have.

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

*Peter Walker*

PETER WALKER

NAC IND: board Salaries Pt3

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Secretary of State for Trade and Industry

6 August 1984

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
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N3PM  
Dr  
7/8

D Nigel

NATIONALISED INDUSTRY BOARD MEMBERS: TERMS OF APPOINTMENT

Thank you for your letter of 27 July enclosing a note to be sent to the Nationalised Industries' Chairmen's Group (NICG) on this subject.

2 Although I am generally content with the note and agree that it should be sent to NICG when they are consulted about the Nationalised Industries Bill, there remain two points on which I still have reservations, and which I raised in my letter to you of 1 June. These concern the length of appointment and the period of notice on dismissal.

3 I have noted your comment on length of appointment that there will be no prohibition of terms shorter than five years. However, I am not convinced that, particularly for non-executive Board members, five years should be the normal length of appointment. Consequently I would prefer paragraph 3 of the note to read "for a fixed term and, in the case of executive members, normally of five years".

4 I also have difficulty with your proposal to standardise on a minimum period of 12 months notice if Board members are to be dismissed, since this would pose particular problems in cases of appointments shorter than five years. Furthermore, as I said in my letter of 1 June, in certain circumstances it is desirable to retain the flexibility to provide for a shorter period of notice. I was thinking particularly of BSC, where currently Board members may be removed from office, without a reason being given, on six months notice. It makes no sense for the new Bill to change this.

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I hope, therefore, you will include in the new Bill such provisions as are necessary to allow BSC to continue as now.

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

A handwritten signature in dark ink, appearing to read 'Norman Tebbit', with a stylized 'N' and 'T'.

NORMAN TEBBIT

JHLARQ

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SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

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

31 July 1984

Dear Nigel,

NATIONALISED INDUSTRY BOARD MEMBERS: TERMS OF APPOINTMENT

Thank you for sending me a copy of your letter of 27 July to Norman Tebbit.

I confirm that I am content with the terms of the draft note to be sent to the Nationalised Industries' Chairmen's Group.

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

Yours sincerely,  
George.

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Board Salary

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

31 July 1984

*Dear Chancellor*

NATIONALISED INDUSTRY BOARD MEMBERS: TERMS OF APPOINTMENT

Thank you for the copy of your letter of 27 July to Norman Tebbit.

I am generally content with this outline of the new arrangements, which I presume from paragraph 2 of the note will only apply to appointments and re-appointments made after enactment of the legislation. There are, however, two points where I think some amendment would ensure no misunderstanding on the part of the Nationalised Industries Chairmen's Group. I think it would be as well to emphasise the option of shorter periods of appointment, particularly for part-timers. You might therefore consider adding a sentence to paragraph 3 to the effect that "shorter terms may be considered, particularly for part-time Board members". It would also avoid any misunderstanding if you qualify the unconditional statement in paragraph 5 that "compensation will be payable" by adding a cross-reference "in accordance with the terms of paragraph 6 below" (which make it clear that compensation will not necessarily apply for non-executive Board members).

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

*Yours sincerely*  
*G. H. H. H.*

Approved by the Secretary of State  
and signed in his absence

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Boat Salaries



1-1 AUG 1984