

APPOINTMENTS IN CONFIDENCE



NRPM
AT 13/9

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

12 September 1984

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

Norman Tebbit

BRITISH TELECOM EXECUTIVE BOARD SALARIES

Thank you for your letter of 6 August, proposing salary increases from 1 July 1984 for the Chairman and executive members of the British Telecom Board of up to 23½ per cent.

I must say that I find this very hard to justify. BT has one of the highest paid nationalised industry boards and increases of the order suggested would mean very difficult repercussions elsewhere. My strong preference is that any increase for 1984 should be deferred until after privatisation and thus not be our responsibility. As I said in my letter of 10 October to Cecil Parkinson (attached), I do not think that substantial increases after privatisation present any difficulties for either the new company or ourselves.

If you continue nevertheless to feel strongly that some increase must be made in the run up to privatisation, I would want to consider much lower levels than you are presently proposing. I understand that BT management staff recently settled for a 5.2% increase and, in view of the closeness of privatisation, I would find it hard to justify treating the Board much more generously than this. If George Jefferson wishes to regard this as an interim arrangement, pending privatisation, that is of course a matter for him.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Nigel Lawson

NIGEL LAWSON



cc CST
MST
Mr Bailey
Mr Ridley
Mr Lord
Mr Burgner
Mr Wilson
Mr Anson
Mr Hunter

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

10 October 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

Alan Caw?

**BRITISH TELECOMMUNICATIONS BOARD: APPOINTMENTS AND SALARIES
OF EXECUTIVE MEMBERS**

Thank you for your letter of 16 September.

I must first say that the proposals for pay increases are higher than I had hoped to receive, and that I do not accept all of George Jefferson's supporting argument.

Specifically, I do not accept his assertion that the need to make large increases in salary scales after privatisation would present difficulties for both the new company and the Government. For our part, we shall not be responsible for what BT does for Board pay after privatisation, and I am not aware that the experience of the Cable and Wireless privatisation, where the Offer for Sale documents actually drew attention to the fact that the Court of Directors intended to implement a substantial increase in the salaries of executive Directors to levels commensurate with those prevailing in other commercial companies, has presented any problems for us. Much the same route was followed with Britoil, and again this caused no problems. Clearly any privatised Board will have to take into account the repercussive effect of the awards it makes to its own members, but that does not amount to an argument for the Government agreeing to large increases before privatisation.

I of course accept that in the run up to flotation we shall want to build up the strength and quality of the board. If this means that we have to pay market rates to obtain high calibre non-BT appointments, we can accept that, and I am content with the appointment and salaries proposed for Mr C Crook and Mr J King. Given the restructuring of the Board and the additional responsibilities which are being assumed by Messrs Hodgson and Bett I can see the case for the proposed increases for them. For the other members the need for such large increases is less clear. I note however that they would be within the range established last year if that range were now enhanced by, say, 7 per cent to bring it up to a 1983 level. I gather also that your officials have suggested that, as the reorganisation affecting Hodgson, Bett and Vallance will take effect on 1 October 1983, they should not receive the higher salaries until then, and in the meantime should get a 7 per cent increase from 1 July 1983. Subject to that modification, and provided that you are fully satisfied from your talk with the Chairman that the increases you have proposed are necessary to secure an effective Board which will actively help us to achieve our objectives for the industry, I can accept your proposals.



This case is a good illustration of the need to reform the system for fixing board salaries, along the lines I have proposed to E(NI); and I hope you can support these proposals when we discuss them on 18 October.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read "Nigel Lawson", with a large, stylized initial "N" and a long, sweeping underline.

NAT IND

Board Salaries
re 3



1952-1954



NSPM AG 17/9
DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

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Secretary of State for Trade and Industry

APPOINTMENTS - IN CONFIDENCE

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

17 September 1984

D. Nigel.

BT EXECUTIVE BOARD SALARIES

Thank you for your letter of 12 September on the salaries of the Chairman and executive members of the British Telecom Board. I am disappointed at what you have to say.

I am in no doubt that, by comparison with any public or private sector organisations, the Board of BT deserve salary increases and I am persuaded - as I said in my letter of 6 August - that some increases should be permitted now. Your letter proposed increases up to a maximum of 5.2%. I do not consider this acceptable: it smacks of a public sector pay policy norm which, so far as I am aware, we do not have. I note your concern, however, at the scale of increases I proposed. I would be prepared to introduce some revision of the proposals which I put to you on 6 August. In this revision, which I set out in the attachment to this letter, I retain the principle that those who carry particularly important responsibilities within BT should receive more favourable treatment.

The level of Board salaries is the one remaining issue that stands in the way of harmonious relations with BT as we approach the flotation period. We should not underestimate the importance to the success of the flotation of BT's full support in the weeks ahead. Kleinwort Benson have consistently advised us (and so have Morgan Stanley in respect of the United States) that successful "road-shows" must be an integral part of our marketing effort during November. At our persuasion - and, frankly, mainly for our financial benefit - the Board of BT has agreed to undertake gruelling tours during the flotation. Virtually the entire Board will be participating. On current plans Sir George Jefferson himself will be visiting five United Kingdom cities, three European centres, and will be speaking in New York, Chicago, Toronto and the West Coast, all over a very short

APPOINTMENTS - IN CONFIDENCE



APPOINTMENTS - IN CONFIDENCE

period. I do not want to suggest that a failure to settle the level of Board salaries on satisfactory terms would cause the Board of BT to renege on its agreement to participate in the "road-shows". But the enthusiasm with which BT participates, to benefit us, will be affected by our decisions on Board salaries.

I hope you can agree that we should proceed on the basis I propose. If you cannot, I should welcome an early meeting with you.

I am copying this letter and attachment to the Prime Minister and to Sir Robert Armstrong.

Of course George and his colleagues will put their backs into the launch whatever happens - and it is in their interest - but a sour feeling can easily spread and we want them to maximize the price - which includes doing some things which they would prefer not to do - or to do not too enthusiastically!

Y
Norman

NORMAN TEBBIT



	Existing salary	6 Aug proposal	Revised proposal
Sir George Jefferson	85	105	100
Mr Vander Weyer	60	70	70
Mr Hodgson	55	65	$62\frac{1}{2}$
Mr Vallance	51	63	60
Mr Bett	51	$62\frac{1}{2}$	60
Mr Crook	53	60	$58\frac{1}{2}$
Mr Back	45	55	50
Mr Alvey	$47\frac{1}{2}$	55	53
Mr King	50	55	55
Mr Perryman	48	55	53
Mr Booth	43	50	50

NAT IND: Board Smare. Pr 3



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

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Secretary of State for Trade and Industry

18 September 1984

 Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 London SW1

D. Nigel

BT EXECUTIVE BOARD SALARIES

Further to my letter of 17 September, and following our conversation yesterday evening, I feel I should return to the subject of the salary increases which should be payable now to the collective members of the BT Board.

2 As you know, I continue to hold firmly to the view that although we can rely upon George and the rest of the BT Board to be diligent in their pursuit of a successful flotation of BT, we should not set at risk that success by failing to take account of the very strong feelings which George and his colleagues have over the salaries they receive, and their desire to have substantial increases now. But I recognise the concerns which you have expressed over the increases in salary which I proposed, in my letter of 17 September, ranging from 10% to 17.6% and averaging 14.2% overall. Taking account of what you had to say, I therefore accept that I should seek to put to George a lower level of increase overall, averaging not more than 9½%. As you know, the level of increase is something which will need to vary from Board Member to Board Member; but I would also propose that all the Board Members' salaries should have their increase limited to below 10%.

3 I should be grateful for your very early agreement that I should proceed on this basis. I feel that it is important that I should take an early opportunity to speak to George about this as I have no doubt that he will view this as a most unwelcome outcome.

JH3AXW

NORMAN TEBBIT

NAT IND Pt 3

Board Salaries

19 SEP 1984

19 SEP 1984

12 1 2 3 4 5 6

APPOINTMENTS IN CONFIDENCE



2/15
NBHM
AT 2/19

Treasury Chambers, Parliament Street, SW1P 3AG

Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON SW1

20 September 1984

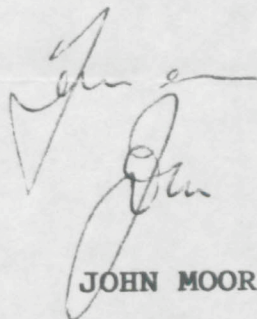
Dear Roman.

BRITISH TELECOM: EXECUTIVE BOARD SALARIES

In the Chancellor's absence I am replying to your further letter of 18 September, about the salaries of the Chairman and executive members of the British Telecom Board.

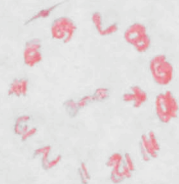
We are content with the revised proposals set out in your most recent letter to the effect that the Board should be given an average increase of not more than 9.5 per cent, with increases for individuals limited to below 10 per cent. Formally, the Treasury needs to approve individual salaries, so I should be grateful if our officials could settle the allocation of the increase which finally emerges. It would also be useful for my officials to be kept in touch with the timing and manner of the increases becoming public knowledge.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.


JOHN MOORE

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NAT IND : Grand Salaries
Pr 3



21 SEP 1984