



ECL
File
cc D. G. Henry

10 DOWNING STREET

THE PRIME MINISTER

10 May 1985

Dear Mr. Greenbury.

Thank you for the letter of 4 April from you and your co-signatories about the salaries of the full-time Members of the Corporation.

First, let me say that, although your recommendations as Members of the Remuneration Committee have not been fully accepted, the Government is appreciative of the work which you have put in, and I hope you will not, as your letter implies, see your efforts as wasted.

Your letter clearly recognises that, whilst your duty is to the Corporation, the Government has far wider responsibilities and would face considerable difficulties if it were to implement your recommendations in full. As you know, the Government believes that moderate pay settlements generally are essential to promote employment and competitiveness. Nonetheless, we have made real efforts, particularly during the last salary round, to deal fairly with the Corporation Members. Their current salary levels are towards the upper end of those for the Board Members of the nationalised industries as a whole, and whilst our policy is to look to the needs of individual Boards, a very substantive increase for one Board is bound to have implications for others.

I note that your letter refers to a need for a salary structure commensurate with performance. This points to the

SRW

Government's difficulty in agreeing large salary increases for Boards as a whole, as distinct from rewards to individuals for particular merit.

A performance related bonus scheme has been approved for several nationalised industry Boards and you may wish to consider whether an approach along these lines would provide one way of increasing the range of remuneration received by the Board Members, and in so doing relieve some of the pressure to which you refer in respect of senior executives.

Yours sincerely

Margaret Thatcher

Richard Greenbury, Esq.

Telegrams:
Marzenza London, Telex.
Telephone: 01-935 4422

Prime Minister (4)
For information,
Michael House, MEX 817
Baker Street,
London, W.1.

from R. Greenbury

2nd July, 1985

Dear Prime Minister

cc DEB 877

Thank you for your letter regarding the salary structure of the British Gas Corporation and for taking up so much of your very valuable time to review the issue personally - this is greatly appreciated.

Although the Remuneration Committee is disappointed on behalf of the Full-Time Members that it has not been possible to implement our recommendations, we have noted your further suggestions which clearly raise new issues for consideration in view of the Corporation's impending "Privatisation".

Again, thank you for your personal interest.

Yours sincerely
Richard Greenbury

The Rt. Hon Margaret Thatcher MP.,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
LONDON SW1.



GR-p type

10 DOWNING STREET

Content. Privatisation
will solve the problem
anyway.

Robin Butler

FERS

You wanted to see the 8.5.

draft reply submitted by DEU
to the letter from the external
part times at the BFC.

It has now been cleared with

Treasury, who proposed the
amendments I have permitted
in.

MEFA 8/5



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

not F
C12
NT
Checked PE. His sim
change with Treasury.
1/5
8/5

Mark Addison Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

24 April 1985

Mr Mark

Thank you for your letter of 10 April with which you enclosed a letter to the Prime Minister from the part-time Members of the British Gas Corporation. I enclose a draft reply as requested.

By way of background the Prime Minister may find the following useful:

1. BGC salaries are £66,500 for the Chairman, with other full-time Members receiving between £39,785 and £47,005. These are on ten step scales rising to £55,100 for the Chief Executive and to £44,355 for other Members. The Secretary of State has proposed to the Chancellor a personal salary of £46,855 for the Finance Director. The next review of salaries will take effect from 1 April 1985.
2. The Chairman's salary is close to that for the Chairmen of the Electricity Council, the CEGB, the Post Office and British Rail. Only the Chairman of British Shipbuilding is better paid.
3. The HAY-MSL consultancy report, upgraded for recent private sector salary movements, would have looked to a salary in the region of over £100,000 for the Chairman, around £75,000 for the Chief Executive and around £55,000 for other Board Members.
4. As at September 1984 the top 100 UK Directors were receiving salaries in excess of £82,000 a year.
5. Over the last three years Members have received increases of 9%, 7% and 9%. In addition, Members have been moving up their scales which has added, for most of them, about 5% extra a year.
6. When my Secretary of State saw the Remuneration Committee in December 1984 he pointed to the wider policy implications of Board pay which were outside his jurisdiction. In the light of the strong feelings among the Committee, he suggested that, if they wished, the only recourse open to them was to press the case at a higher level.



7. As you know, BSC has a performance related bonus scheme and the Chancellor has recently recommended that the NCB may wish to adopt a similar approach. My Secretary of State agrees with that.

Yours sincerely,
Philip Evans

P R EVANS
Private Secretary

EL3A41P.


DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE, IN REPLY TO THE
FOUR EXTERNAL PART-TIME MEMBERS OF THE BRITISH GAS CORPORATION

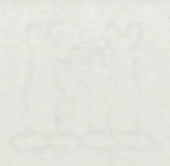
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Your letter clearly recognises that, whilst your duty is to the Corporation, the Government has far wider responsibilities and would face considerable difficulties if it were to implement your recommendations in full. As you know, the Government ^{believes that} ~~is committed~~ ^{moderate pay} ~~to a policy of low pay settlements generally, which we believe to be~~ ^{are} essential ~~in our drive~~ to promote employment and competitiveness. Nonetheless, we have made real efforts, particularly during the last salary round, to deal fairly with the Corporation Members. Their current salary levels are towards the upper end of those for the Board Members of the nationalised industries as a whole, and whilst our policy is to look to the needs of individual Boards, a very substantive increase for one Board is bound to have implications for others.

I note that your letter refers to a need for a salary structure commensurate with performance. This points to the Government's difficulty in agreeing large salary increases for Boards as a whole, as distinct from rewards to individuals for particular merit. ~~One major~~

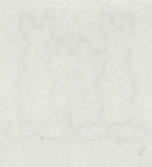

A performance related bonus scheme has been approved for several restructured
nationalised industry Branches is already operating a performance related bonus
scheme and you may wish to consider whether an approach along these
lines would provide one way of increasing the range of remuneration
received by the Board Members, and in so doing relieve some of the
pressure to which you refer in respect of senior executives.





24 APR 1985

CONFIDENTIAL





File MARKS & Spencer EA

24/4 (Ack 10/4)

(Sent to
R. Greenbury
M+S)

10 DOWNING STREET

From the Private Secretary

10 April 1985

I attach a copy of a letter the Prime Minister has received from the four external part-time members of the British Gas Corporation.

I should be grateful if you could provide a draft reply for the Prime Minister's signature, to reach me by Wednesday 24 April.

(Mark Addison)

Philip Evans, Esq.,
Department of Energy.

Pps below.

with compliments

OK - what did I suggest?

Here is copy of

letter re B.G.C.

Mark

← GR - NB

Thanks. Pl.

may I see the
draft when it
comes back. Make

SWR D/Energy clear
it with the Treasury.

Robin Butler.

PERB

As you can see,
sent off for a draft
for PM to send.

Mon 12/4

Mark Addison

How is the
attached letter
being handled
please?

PERB

Roger Boissier

Easton House

The Pastures

Repton, Derby DE6 6GG

Tel: (0283) 702274

Telegrams:
Marshenka London, Telex.
Telephone: 01-935 4422

Michael House,
Baker Street,
London, W.1.

4th April, 1985

Dear Prime Minister

On advice from the Secretary of State for Energy, we the external Part-Time Members of the British Gas Corporation are writing to you regarding the remuneration of the Full-Time Members of the Corporation - the level and structure of which we unanimously believe should be significantly improved. Between us, we bring to the subject a comprehensive knowledge and experience of the working of the private sector - which, presumably, is why we were requested to join the B.G.C. Board.

Since 1981, and as proposed by the Government, we have constituted the Remuneration Committee formed for the specific purpose of advising on the appropriate structure for Board level pay in the Nationalised Industries. Although successive Secretaries of State have acknowledged the strength of the case we have presented, objectively researched and supported by the highly reputable HAY-MSL management consultants, they have always cited the political difficulties of implementing such recommendations. Consequently, none have been accepted and there has been no progress towards a salary structure which is either commensurate with the responsibilities borne by Executive Members or responds to their performance.

Quite apart from the injustice of the situation we believe that continued compression of the salary structure is not in the long term interests of the Corporation's Senior Management performance. Technical, middle and senior management salaries must surely reflect fair market place rewards if good morale and pride of performance are to be maintained and the greater efficiency which the Corporation seeks is to be achieved.

...Cont'd/....

We of course fully appreciate why it is never a good time to give substantial salary increases in the public sector but the longer this situation is perpetuated the more difficult it becomes to solve the problem. The case has been comprehensively researched and presented with the clearest of recommendations to successive Secretaries of State who have acknowledged the strength of the argument.

The Government has courageously tackled this problem in several similar situations over recent years and we would greatly appreciate your support for a similar approach in the case of the Gas Corporation.

Yours Sincerely

Richard Greening.

Marks & Spencer, plc

Isidore

The BOC Group, plc

Roger Boissier

Pressac Holdings, plc

Martin Jackson

Kleinwort Benson Limited

The Rt Hon Margaret Thatcher MP.,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
LONDON SW1.