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

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

24 June 1985

A handwritten signature in dark ink, appearing to read 'Norman Tebbit'.

**POST OFFICE : BOARD MEMBERS' PAY 1985**

You wrote to me on 29 May proposing 1985 pay increases for the members of the Post Office Board.

I was disappointed to discover you support the proposals made by the Post Office Remuneration Committee. The salaries affected would increase by 9.5 per cent on average - greater than the average increase for nationalised industry Board members in 1984, over half as much again as the 1984 increases for Post Office Board members and more generous than the increases we recently agreed at E(NI) to aim for this year. Given that we have agreed that the Post Office should have a performance-related bonus scheme in 1985, an increase of this size is clearly too much.

Turning to specific salaries, I accept that others are showing a close interest in Mr Cockburn. However, he received above average increases for 1983 and 1984, and I believe it would be difficult to justify a further increase of 20 per cent for him this year. I am also not convinced that Messrs Garrett and Young now merit the same salary as that set for Mr Sellers last year. You will recall we agreed that on the basis it would last until 1986 and would not become a marker for the rest of the Board.

Finally, you will be well aware of the danger that increases in Board salaries could repercuss on the pay negotiations for Post Office employees. In the circumstances, I wonder whether it is worth pointing out to Ron Dearing that we could find it difficult to reach final decisions on Board pay before the remaining pay negotiations for Post Office employees are settled.





May I therefore ask you to take another look at the proposals contained in your letter, in the light of our discussion in E(NI)?

I am copying this letter to the Prime Minister.

*Yours  
Nigel*  
NIGEL LAWSON



NAT (NO) Bowd Salaries Pt 3





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DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

29 May 1985

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

*D Nigel,*

POST OFFICE BOARD PAY 1985/86

*Attache*  
As you know, Post Office Board pay is fixed from 1 April each year. This year, we received proposals from Sir Ronald Dearing in the course of March, and I hope we can now make an early decision in accordance with the general aim we have set ourselves to settle salaries within 3 months.

2 I have read with interest the record of E(NI)'s discussion of 16 May on Nationalised Industries Board pay which Norman Lamont attended in my absence, and I am writing to you against the background of the agreed general objective to avoid an average increase in 1985 which exceeds that of last year while giving particular emphasis to the performance of individuals.

3 At Annex A, is a tabulation showing Sir Ronald's proposals for his Board which have been agreed by the Board Remuneration Committee of the Post Office, and also their proposals in respect of Sir Ronald himself. In his representations to us, Sir Ronald makes the point that the Post Office continues to fall further behind market rates, and in the light of this, recommends a range of £50,000 to £60,000 as a move towards redressing the balance. You will see that overall the proposed increases average just under 9 per cent. This I think is reasonable given that last year, with increases for Nationalised Industries Boards generally averaging out at 8 per cent, the Post Office Board averaged under 6 per cent. We must also not overlook the good performance of the Post Office over recent years, and in particular the robust line that Sir Ronald and his Board have been prepared to take in the face of the threat of serious disruption of Post Office operations.

JH2ARA





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4 Turning to individual proposals, I would not dissent from the proposal to increase Bill Cockburn's salary to £60,000. I understand that BT is showing continuous and persistent interest in him, and would be prepared to offer a salary of well above £70,000. Against this background, the Post Office really cannot run the risk of losing him simply by refusing to acknowledge his value in the marketplace.

5 I can confirm that Tony Garrett's contribution to the Board as a professional marketing man has been most valuable over the past few years, and the Remuneration Committee feels that unless his services are properly recognised, there is a real danger that he too could be wooed away. Ken Young, the most senior Board member is also worthy of special treatment this time round given the vital part he has played in changing the attitude of the Unions in order to negotiate the new efficiency and productivity arrangements.

6 For the rest, it seems reasonable to give Alan Clinton the more modest increase proposed to bring him to the bottom of the suggested range, and the £500 extra a year for the part-time members is a proposal which I feel sure you can accept. As you know, it has been agreed that no increase will be payable to Philip Sellers until 1 April 1986.

7 As far as Sir Ronald himself is concerned, the Remuneration Committee makes a very strong case for increasing his salary to £70,000. The demands on him in this large and labour-intensive business are very considerable. The problems of organisation, growth and industrial relations are at least as great as those confronting any large business in the private sector, and yet the reward for his services bears very little comparison. The salary suggested would represent some movement towards comparability with a profitable industry in the private sector.

8 I am sending a copy of this letter to the Prime Minister.

NORMAN TEBBIT

JH2ARA





	1984 increase %	Present Salary £	Chairman's proposals for 1985 £	1985 increase %
Sir R Dearing	5.0	63000	70000	11.1
Mr Clinton	5.1	46800	50000	6.8
Mr Cockburn	8.7	50000	60000	20.0
Mr Garrett	5.5	48000	52500	9.4
Mr Sellers	-	52500	(52500)	(-)
Mr Young	5.5	48000	52500	9.4
Total Salaries (executives)		308300	337500	
Total increase (executives)	5.9*			9.5
Miss Cole	5.6	5700	6200	8.8
Sir C Cornford	5.4	11700	12200	4.3
Mr Gladwin	5.6	5700	6200	8.8
Mr Hodson	5.6	5700	6200	8.8
Mr Moody	5.4	6800	7300	7.4
Mr Wainwright**	-	12000	12000	-
Total Salaries (non-executives)		47600	50100	
Total increase (non-executives)				5.2
Total Salaries (whole board)		355900	387600	
Total increase (whole board)				8.9

\* Includes increase for Mr Wainwright as Deputy Chairman

\*\* Part time member from 1 April 1985