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E(81)37  
11 September 1981

COPY NO

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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

PAY AND APPOINTMENT ISSUES IN THE NATIONALISED TRANSPORT INDUSTRIES

Memorandum by the Secretary of State for Transport

Following the procedure which we proposed to the Chairmen of Nationalised Industries in April, I received in the ensuing weeks representations from my Boards as follows:

1. British Railways Board - an interim increase of 11% for the 14 Members (apart from the Chairman, Sir Peter Parker, and Deputy Chairman, Mr Bosworth, whose terms would be re-negotiated for reappointment).
2. National Bus Company - increase of up to 40% for the ten Members.
3. British Transport Docks Board - increases of up to 36% for the ten Members (with even higher figures for certain part-timers). The Top Salaries Review Board, in their last report had admitted that they had under-rated this Board previously.

The National Freight Company did not make representations, preferring to leave the subject until they achieved privatisation.

Apart from the Chairman and Deputy Chairman of the British Railways Board, therefore, I have had 34 cases to deal with, and have settled all but two of them (Mr Reid of the British Railways Board and Mr Williams of the British Transport Docks Board) at 7 per cent. There is, however, also a claim for death in service benefit which affects five full-time Executive Members of the British Railways Board. This paper concerns these outstanding points, in accordance with the procedure which the Committee agreed at their meeting on 2 July (E(81) - Conclusions).

Mr Bosworth

Mr Bosworth's formal appointment actually expired several months ago, but he himself did not want the matter to be settled before it had been decided whether Sir Peter Parker would be serving as Chairman for a further period. His present salary is £40,500. His 7% increase, to £43,335, will be paid from 1 April 1981 without prejudice to negotiations for the terms of his reappointment. The amount of pension which he has earned so far under these arrangements is only £10,650., of which only about 40% is index-linked. He feels that,

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by comparison with the private sector, where salaries are at levels enabling more to be invested to produce income in old age, he is at a disadvantage without having the compensating advantage of index-linking on the usual scale in public sector pensions. He has therefore been seeking both improvements in his pension and an improvement in his salary which would have the effect of raising the pension level.

For my part, I would like to reappoint Mr Bosworth for a further three years, largely because of the special part which he is playing in my privatisation policies.

Technically, it would be possible to arrange for Mr Bosworth to leave over his private pension policies in respect of his service from 1971 to 1977 in exchange for credit in the British Railways pension scheme. This would increase the proportion of pension which is indexed linked to just over 70%, but unfortunately would reduce the level of his initial pension by about £1,500. I have come to the conclusion that it is too expensive to give him any special additional pension rights. But I think there is a good case, as this is a reappointment which I want to make, to agree to a salary increase of just under 25% to £50,000 with effect from 17 June.

Mr Reid, British Rail

Mr Reid joined the British Railways Board in January 1977 and was promoted to his present position as Chief Executive in March 1980. But he has not obtained the level of pay which is enjoyed at present by the two Vice-Chairmen, Mr Campbell and Mr Fowler, who had already risen to the highest point allowed for Board Members under the TSRB regime. Moreover there are now some Senior Executives not on the Board who, unless we take special action, will have salaries larger than his. We can put this right by substituting an increase of 15% for the 7% increase from 1 April 1981, giving him a salary of £35,000 which would equate with both of the two Vice-Chairmen. In terms of responsibility, I have no doubt that this is the right course.

Mr Williams, British Transport Docks Board

Mr Williams has been trapped by an unlucky technicality in the detailed arrangements whereby, under the regime which we have now discarded, the average of the mid points of Board Members pay scales could not exceed the mid point of the full TSRB range. Because his colleagues already on the Board had their pay fixed on this basis, he could only come on at his existing salary by being placed on a fixed point at the mid-point of his range, and so he has been deprived of subsequent increments. He has also suffered in comparison with Senior Officers from whose ranks he was promoted. This distortion has now become very serious within the Board and I propose to correct it by giving him an increase of 15%, instead of 7% with effect from 1 April 1981, which will bring his salary to £23,250. This relatively low level reflects our inability to adopt the TSRB's recommendation for correcting their previous under-rating of this Board, which would have brought it into the group of industries including the steel whose executive members' salary range will be £21,933 - £27,620.

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Death-in-Service Benefits

Some years ago British Rail introduced a scheme providing for the payment of a supplementary death-in-service benefit equal to three years' salary for some 300 of their most senior officers. Since 1978 they have been pressing us to allow them to extend this benefit to Members of the Board, but the CSD have objected to this mainly on the ground that Ministerial control over the benefits of Board Members would be effectively removed if it were once accepted that any improvements made in benefits for staff - which are not now subject to Ministerial control - should automatically be granted to Members of the Board concerned. Our position, however, is weakened by having so arranged matters that Boards have the right to provide these benefits to their own employees without our approval before or after the event.

There is nothing unusual in the death-in-service benefit for senior staff. A Hay/MSL survey shows that 98% of the organisations which they covered in both the private and public sectors provide benefits of this kind for senior management.

We have already had to agree that one new Board Member should bring this right with him when he was promoted, to the British Railways Board last year. Four others who are due to be reappointed next year (including Mr Reid) have made the strongest representations that they too should share this inexpensive right. I can certainly see the greatest difficulty in inducing any existing officers to accept promotion to the Board in future if they are not to bring these rights with them.

Conclusions

I would ask my colleagues -

- a. To note that I have settled the terms of service of my Board Members at 7% with the exceptions below;
- b. To agree that I should reappoint Mr Bosworth as Deputy Chairman of the British Railways Board on the basis of a salary of £50,000 per annum;
- c. To agree that increases of 15% should be approved for Mr Reid and Mr Williams; and
- d. To agree that British Railway Board Members should be permitted to have death-in-service benefits already available to senior Members of British Rail staff.

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11 September 1981

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