

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(81) 28th Meeting

COPY NO 65

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held  
at 10 Downing Street on  
MONDAY 21 SEPTEMBER 1981 at 3.00 pm

PRESENT

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon James Prior MP  
Secretary of State for Northern Ireland

The Rt Hon Michael Heseltine MP  
Secretary of State for the  
Environment

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry

The Rt Hon David Howell MP  
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy

Mr Norman Tebbit MP  
Secretary of State for Employment

Mr Cecil Parkinson MP  
Paymaster General

THE FOLLOWING WERE ALSO PRESENT

The Baroness Young  
Chancellor of the Duchy of Lancaster

The Rt Hon Sally Oppenheim MP  
Minister of State, Department of  
Trade (Minister for Consumer Affairs)

Mr Alexander Fletcher MP  
Parliamentary Under-Secretary  
of State, Scottish Office

Mr J R Ibbs  
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson  
Mr D J L Moore

SUBJECT

PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

Previous Reference: E(81) 23rd Meeting, Item 2

THE COMMITTEE considered memoranda by the Secretary of State for Energy (E(81) 88) and by the Secretary of State for Transport (E(81) 87) proposing salary increases higher than 7 per cent for certain nationalised industry board members.

THE SECRETARY OF STATE FOR ENERGY said that there were problems of inverse differentials in the National Coal Board (NCB) and the Area Electricity Boards where some board members were earning less than the senior officials reporting to them. He did not wish to press for exceptional treatment on this count for NCB board members; he proposed that their salaries should be increased by 7 per cent, in line with the increases approved for board members of the British Gas Corporation and of the Atomic Energy Authority, and with the maximum which the Committee had earlier agreed should be normally available to nationalised industry board members. In the case of the Area Electricity Boards, however, to deal with a substantial inverse differential which had existed for five years, he recommended that the salaries of Deputy Chairmen should be increased by 15.5-17.5 per cent on a compressed scale and that, to prevent the creation of a new inverse differential, the salaries of the Chairmen of the Boards should be increased in consequence by 6.9-9.5 per cent; the increases of other board members in the Electricity Industry would be restricted to 7 per cent. He would then tell the electricity industry that the Government would not in future take steps to remove inverse differentials and that it was up to them to keep down the salary range of senior staff if they wished to prevent a similar problem re-emerging.

THE SECRETARY OF STATE FOR TRANSPORT said that increases of 7 per cent had been agreed for 32 board members in the nationalised transport industries. He recommended that, exceptionally and to secure his re-appointment, the salary of the Deputy Chairman of British Railways (BR) should be increased by 25 per cent to £50,000 a year; and that, to avoid inverse differentials and other anomalies, the salaries of the Chief Executive of BR and of Mr Williams of the British Transport Docks Board (BTDB) should be increased by 15 per cent. He further recommended that BR board members should be permitted to have the death-in-service benefits which were available to senior members of BR staff.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that, to deal with inverse differentials and other anomalies, the proposals for exceptional salary increases for the Chairmen and Deputy Chairmen of Area Electricity Boards and for Mr Williams of BTDB should be approved. They noted that the Secretary of State for Scotland would make proposals. They noted reasons, for increases higher than 7 per cent for some members, for similar Electricity Boards, and that other sponsoring Ministers might also need to deal with current problems of inverse differentials. Once the present anomalies had been dealt with, however, the onus would be on the boards to stop them re-emerging and it should be made clear to them that, in future, the Government would not necessarily approve high salary increases for board members solely to deal with inverse differentials. The Committee required further information before deciding whether increases of more than 7 per cent were justified for the Deputy Chairman and for the Chief Executive of BR. In particular, they would wish to know how the salaries proposed compared with those for other members of the BR board and with the members of other nationalised industry boards, and whether the increases were likely to prompt claims for further increases for other BR board members and staff. The Committee did not accept that, in BR or in any other nationalised industry, a decision to pay a high salary in order to recruit or to retain a particular chairman provided a justification for accepting consequential high claims from his immediate subordinates and down the line. The Committee did not agree that death-in-service benefits should be available to board members of BR; otherwise, it would be difficult to resist the spread of such benefits to boards throughout the public sector. The Committee agreed that in future any sponsoring Minister making proposals for salary increases for nationalised industry board members should include in his memorandum a note of the Civil Service Department's views on the proposals, and in particular any comments they might have on the wider implications; if necessary, the Chancellor of the Duchy of Lancaster should circulate a separate memorandum.

The Committee -

1. Approved the proposals in paragraph 7 of E(81) 88 for salary increases for the Chairmen and Deputy Chairmen of Area Electricity Boards.
2. Approved the proposal in E(81) 87 for an increase of 15 per cent in the salary of Mr Williams of the British Transport Docks Boards.

3. Invited the Secretary of State for Transport, in consultation with the Chancellor of the Duchy of Lancaster, to make further proposals on the salaries of the Deputy Chairman and of the Chief Executive of British Rail, taking account of the points made by the Prime Minister in her summing up of their discussion.

4. Agreed that death-in-service benefits should not be made available to members of the British Railways Board.

5. Invited sponsoring Ministers -

i. to make clear to the Boards for which they were responsible that, once any current anomalies had been removed, the Government would not necessarily approve high salary increases for nationalised industry board members solely to deal with any problems of inverse differentials which had re-emerged as a result of decisions taken by the boards themselves.

ii. to include in any future memoranda on nationalised industry board members' salaries a note of the Civil Service Department's comments on their proposals.

Cabinet Office

22 September 1981