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

29 June 1984

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Transport

Dear Secretary of State

COMPENSATION TO DISMISSED MEMBERS OF LONDON TRANSPORT

You wrote to me on 20 June about the compensation which you propose should be paid to the members of London Regional Transport.

I entirely agree with you that we should not pay any more to the LRT part-time members than we are strictly obliged to do. However, I am concerned that your specific proposal may be held to breach the terms and conditions under which the individuals concerned were appointed. Since I have not seen the documents, I cannot, of course, take a view, but you will need to be confident that your proposals would stand up in court if a suit were brought. If so, well and good. But if not, I can see no alternative but to apply the usual practice. No doubt you will want to consult the Attorney General as a matter of urgency.

Copies go to the Prime Minister, the other members of E(NI), the Attorney General and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Hara

NIGEL LAWSON

*(Approved by the Chancellor
and signed in his absence)*

Transport Nov-83

London Transport

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NDPM AF 21/6



cc NO
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

20 June 1984

Dear Nigel

COMPENSATION TO DISMISSED MEMBERS OF LONDON TRANSPORT

My London Regional Transport Bill includes provision, as we agreed, that the existing members of the London Transport Executive continue in office as members of London Regional Transport following the appointed day (which I hope will be 2 July) but that during the following three months I may remove any of them from office, without notice, and without assigning cause, and that "London Regional Transport shall pay to that person compensation of such amount and on such terms as the Secretary of State may with the approval of the Treasury determine". I expect to have to remove all those members recently appointed by the GLC, immediately on the appointed day. I am advised that given the form of the provisions in the Bill - which are of course the forerunner of the general legislation envisaged - I have to consider the amount of compensation appropriate to each case individually. I also understand that the Treasury advice is very strongly that I must follow the normal practice which involves my making a judgement on the prospects of each individual of obtaining alternative employment, and the sum then arrived at will be adjusted by the Inland Revenue and the Government actuary for tax and actuarial reasons.

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/ I enclose two sheets. The first sets out the facts about each of the individuals. The second sets out some guesses about the approximate compensation each might get on a judgement about their individual prospects of employment. The table shows how the sum of compensation will be greatly influenced by a judgement about employment prospects. Of course we shall have to make a determination of this kind for the full-timer, Arthur Latham.

I cannot see that there is any real or defensible content in making such a judgement about a job which is on the basis of a day a week. How can I decide that Mr Smith, a full time union official, has no prospect of an alternative day a week job, or a 10% prospect or a 20% prospect? Or that Mr Rodker, a self employed business man, has a 75% prospect, or a 50% prospect, or a 30% prospect? I understand that there are no direct precedents.

Calculations of this kind seem to me indefensible in the circumstances. I would very much prefer an approach which treated each of the part-timers alike (except the one whose appointment expires in September) and gave them a standard sum of say 3 months salary or 6 months salary without abatement. That seems to me much more appropriate in the circumstances. I should be glad to know whether you would agree to determinations on that basis.

I am sending copies of this to the Prime Minister, the members of E(NI), the Attorney General and to Sir Robert Armstrong.

There will be strong feelings in the party about paying any of these people anything, to start with!

Yours ever
Nicholas Ridley

NICHOLAS RIDLEY

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FRTS

M E M B E R	T I M E C O M M I T M E N T	A P P O I N T M E N T E X P I R E S	S A L A R Y	A G E	P R E V I O U S E X P E R I E N C E
Mr A Latham	Full-time	19.7.88	£17,500 NB Mr Latham is also a member of the LT pension scheme and this will have to be taken into account in assessing the amount of compensation.	52	Further education lecturer 1967. MP 1969-1979. Chairman, Greater London Labour Party. Before becoming a lecturer he worked for a business systems firm.
Ms M Amory	2 dpw	8.11.88	£7,000	26	Medical secretary then secretary with NUJ.
Ms K Hamilton	1 dpw	19.7.88	£3,500	35	Worked in publishing. Employed by BR between 1980-82 to write their business history. Lectured on transport history and engaged on writing serial on transport history for TV. Member of the Wood inquiry on heavy lorries
Ms E Lewin	2 dpw Then 1 dpw	to 6.9.84 to 19.7.88	£7,000 £3,500	75	Author of articles on public administration and finance. "Long time campaigner for improvements in London's transport".
Mr J Palmer	1 dpw	6.9.84	£3,500	?	Journalist
Mr E Rodker	2 dpw Then 1 dpw	to 6.9.84 to 19.7.88	£7,000 £3,500	45	Self employed businessman
Mr L Smith	1 dpw	19.7.88	£3,500	60	Executive officer in TGWU

GIVESSES

MEMBER	SALARY	ASSUMPTION ON EMPLOYMENT PROSPECTS	<i>AFTER</i> ALLOWANCE FOR INFLATION AND CASH PAYMENT (x 3.9)	<i>AFTER</i> ALLOWANCE FOR TAX (- 30%)	<i>AFTER</i> ALLOWANCE FOR AGE (- 10%)
Mr A Latham	£17,500	50%	£34,000	£24,800	
Ms M Amory	£ 7,000	75%	£ 6,800	£ 4,760	
Ms K Hamilton	£ 3,500	75%	£ 3,400	£ 2,480	
Ms E Lewin	£ 7,000 to 6.9.84 Then £3,500	0	£14,000	£ 9,800	£8,820
Mr J Palmer	£ 3,500	0	£ 650	£ 455	
Mr E Rodker	£7,000 to 6.9.84 Then £3,500	75%	£ 4,000	£ 2,800	
Mr L Smith	£3,500	0	£13,650	£ 9,555	

Note:

All salaries except that for Mr Palmer (whose appointment was due to expire in September of this year) have been increased by 3.9 to allow for inflation increases over the four years of the appointment offset by the discount for cash payment.

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