

copied to Appts.

Prime Minister to see  
(For meeting of "E")



Neill Mitchell Duty Clerk  
26/6/81

APPOINTMENTS: IN CONFIDENCE

PRIME MINISTER

*He is spending a lot  
of money on advertising  
to persuade the public  
to give up the job  
to B.P. This hardly  
convinces him  
to me*

Christopher Soames has arranged for E Committee to discuss next week the increases this year in the pay of serving Board Members. I agree that this is essential, since we cannot move quickly to a genuine market rate basis, as several of the Boards, including mine, are proposing. But I also face at the same time a separate question concerning the Chairmanship of British Rail. This is due to fall vacant in the autumn. In whatever way I seek to fill it, I am not going to have any choice except to pay a market rate. This is what we have found we have had to do in other cases. I have thought about this carefully, and I have no doubt that the best course would be to persuade Sir Peter Parker to accept a further period in the Chair. This minute explains why I have come to this conclusion and how I think the matter should be dealt with.

Peter Parker has proved a good ally on issues like privatisation and has certainly handled the unions well. In particular he has been stressing heavily to the unions that the advantages of our policy have to be earned in increased productivity. In addition, I particularly need his continuing help in securing all the advantages we can get in terms of improved industrial relations and increased efficiency from our decision on railway electrification. I know from my recent contacts with the railway unions that there is a very real possibility of major industrial trouble on the railway in the near future, as we and the Board bring it under intensified pressure, and I also know that I should have a much better prospect of avoiding such a damaging development with Peter Parker there and committed for the future. You may be interested to know that our back-bench Committee have unanimously advised me that he should remain.




The position concerning him is basically this. He would be willing to continue for two or three years. He is however undoubtedly concerned about his financial position. He believes that he gave up a great deal in terms of financial rewards to take on the British Rail job - which I think is undoubtedly the case. He also believes that his market value is high. Again I think this is right. My people have therefore spent a great deal of time talking with him and his Solicitor about what he would regard as an acceptable offer. This really breaks down into three parts.

First, his Solicitor has suggested that his salary as Chairman of the British Rail Board should go up from the present figure of £48,000 to £80,000. I do not think that I should go that far. I think it would be reasonable however to increase his salary to say £65,000.

Second, we are in the future letting full-time Board Members of Nationalised Industries earn more freely outside, provided there is no conflict of interest. Sir Peter's old firms, Clarksons and Rockware, want him back in what would be very much a part-time capacity and are prepared to pay him between them some £27,000 a year. This is on the understanding that I should always have first call on his time. Again I think there is no reason why we should object to that arrangement.

Third, this development opens the possibility of solving the particular, personal financial problem for Sir Peter. That problem is that when he took office as Chairman in 1976 his fall in income was so great that he had to sell his London house in order to cover his expenses, and he feels he has done his family a big disservice which he ought now to try to make good. He is therefore looking for the prospect of some lump sum benefit. This is basically available only from superannuation.



As is often the case with members of Boards recruited from outside the nationalised industries, his superannuation arrangement is an individual one. He was in schemes operated by Clarksons and Rockware before becoming Chairman of British Rail and, in effect, has continued in them as if he were seconded to British Rail from those employments. These schemes provide benefits related in the usual way to terminal pensionable pay and length of service. Inflation-proofing is limited to 3% a year. For his benefits under these schemes to be related to his total pensionable pay at retirement in two or three years time, Clarksons and Rockware will have to find extra funding for those schemes. The question is how far British Rail should reimburse them. There is no question but that they should do so in relation to British Rail pay. The new point is how the cost is to fall in making the Clarksons and Rockware pay pensionable. The relevant period of pensionable service would have covered seven or eight years, only two or three of which would have seen him serving Clarksons and Rockware. My answer is that British Rail should reimburse  $\frac{5}{8}$  of that cost. Inland Revenue's Superannuation Fund Office have no objection to this. The effect would be to store in the Clarksons and Rockware schemes at British Rail's expense extra pension of some £9,000 a year (commutable on usual terms) and extra lump-sum benefit of some £13,000. With this I would expect to secure Sir Peter's continued service as Chairman of British Rail. Without it I am pretty sure that I would not do so.

What I would really appreciate is the prospect of a short word with you in the next few days so that I could explain some of the background. As you know, the industry is at a sensitive stage and next week we have the NUR Annual Conference.



I am sending a copy of this minute to Christopher Soames.

~~NORMAN FOWLER~~

26 June 1981