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Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq  
Private Secretary  
10 Downing Street  
London  
SW1

21 November 1985

Dear David,

## NICG DINNER WITH PRIME MINISTER, 22 NOVEMBER

... We have learned from Jim Driscoll that although the NICG will not want to go into detail on their ideas for Board appointments they will very probably want to refer to some of the main features. As the present brief deals with appointments on the assumption that there will not be substantive discussion, I now attach a supplementary piece. As is made clear, the comments in it are provisional since Ministers have yet to consider the proposals.

You might also like to know that NICG have it in mind that their main spokesmen should be:

- (i) Haslam and Dearing (PO) on privatisation and arrangements for Corporations still in public ownership.
- (ii) Dent (CAA) on Board appointments and, very briefly, Board pay.
- (iii) Reid (BR) and Bright (LRT) on wages, industrial relations, and employment policies.
- (iv) Jones (Electricity) on major planning enquiries.
- (v) Payne (BAA) on local authority rates.

I am copying this letter to John Mogg (Trade and Industry), Geoffrey Dart (Energy), Robin Young (Environment), John Graham (Scottish Office), Robert Smith (Transport) and Stewart Lane (Employment).

*Yours,*  
*Paul Broadbent*  
R J BROADBENT  
Private Secretary

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NATIONALISED INDUSTRY BOARD APPOINTMENTS

The NICG's proposals were written on the assumption that they could be given effect in a general NI Bill. Both Departments and the NICG now need to look again to see whether any changes might be justified within present powers, and possibly whether any might be implemented in legislation for individual industries. Ministers have not yet considered these questions and any discussion now can only be provisional.

2. The key question is whether the NICG proposals would unduly constrain Ministers' powers of appointment and dismissal which are one of the main ways of controlling and influencing the Boards. The main points in the proposals, and some provisional comments on them, are as follows.

Selection & Appointment of Board Members

3. NICG accept that appointments would formally be for the Secretary of State, but they recommend that the task of searching out and proposing potential members should generally be the responsibility of the Chairmen.

4. In practice it is already usual for a Chairman either to propose an internal candidate or the recruitment of an outsider as an Executive member. It would be very unusual for a Chairman not to be consulted on the appointment of any member. But the prime responsibility for making the appointments must be seen to lie with the Secretary of State. No legislation is needed for consultations.

Rolling Contracts

5. The NICG want to move from the present practice of appointments for a specified period to 3-year rolling -



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or "evergreen" - contracts. This would give Executive Board members, until retirement, 3-year security of tenure or a corresponding right to compensation.

6. At present compensation arrangements are generally non-contractual. So rolling contracts with provisions for compensation would require legislation.

7. If there were to be rolling contracts - and the merits need further study - it would be essential that the Secretary of State was not constrained in his ability to dismiss a member, with compensation. Otherwise it could take 3 years to get rid of a poor performer.

Dismissals

8. The NICG want the Secretary of State to have powers to dismiss a Chairman, for business and not political reasons, and with the reasons given to Parliament unless the Chairman wishes otherwise. They agree that the Secretary of State should have power to terminate the contract of any Board member, with compensation, provided the Chairman has so recommended. These changes would require legislation.

9. At official level Departments question whether a Secretary of State should be bound to give the reasons for dismissal of a Chairman. It is doubtful whether there is a meaningful distinction to be made between business and political reasons for a dismissal. If a Chairman were half-hearted in carrying out Government objectives for his industry it might be arguable whether that was for business or political reasons.

10. It would not seem acceptable for the Secretary of State's powers to dismiss Board members to depend on the Chairman taking the initiative; though it would be most unusual if the dismissal were not a matter for consultation.



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Compensation

11. The NICG want "good private sector practice" to be followed.

12. Contractual entitlement to compensation would require legislation. Under present arrangements compensation payments are made non-contractually and the Government's standard practice is to follow Court of Law approach which provides for offset on account of any alternative income.