

# turns heat on lator over pay

GERAINT LEWIS



James McKinnon says his comments on pay levels at British Gas were taken out of context

its members on a strike, projecting a pay offer of 4.3 per cent. British Gas expects negotiations within days.

Relations between the company and the regulator are sinking after a series of decisions. The MMC is now examining the whole of British Gas's business at the company's expense.

There has been increasing speculation that Sir James is under pressure from the Govern-

ment over his outspokenness in dealings with the group and his increasingly tough line.

But he denies such pressure, saying that maintaining the independence of regulators is paramount.

Meanwhile, City analysts are expecting Tuesday's interim results from British Gas to show a loss of £30m to £35m for the three months to June.

Because of the seasonal nature of the profits, attention will

be focused on the company's dividends. Analysts are keen to know whether British Gas will maintain its annual 10 per cent increase in the payout.

The company has recommended a dividend for the nine months to 31 December 1991 of 10.25p, compared with 12.5p for the 12 months to 31 March 1991.

Profit comparisons will be difficult as the year end has changed to 31 December from 31 March.

## Ratner's salary slashed as group attacks costs

BY RICHARD THOMSON

GERALD RATNER, chief executive of the jewellery retailing group and one of Britain's highest-paid executives, has been forced to take a substantial pay cut. On Friday, Ratners reported a loss of £122.3m for 1991.

Mr Ratner, who was paid £616,000 in 1990 when he was both chairman and chief executive, had his salary reduced when he relinquished the chairmanship. He has now had to take a much larger cut, believed to be well over £100,000. There has also been a huge drop in the performance-related part of his pay following the losses.

The pay reduction is part of a programme of swingeing cost cuts across the group. "There has been a review of all costs from the shop floor to the boardroom," said Jim McAdam, who became chairman of the group last January.

Mr Ratner has denied suggestions that

he might soon be leaving the group following sharp criticism of his performance by Mr McAdam last week. "What I have in mind is carrying on and restoring the company's fortunes, however long it takes."

Ratners said on Friday that it is having to close 330 jewellery shops in Britain and the US with the loss of about 2,500 jobs over the next three years. It has also reached agreement with its banks, led by Barciays, to extend £460m of credit facilities to next June. This should enable it to repay the £58m convertible bond issue which falls due in November.

The chairman said much of the fall in Ratners' sales was due to adverse publicity after Gerald Ratner's description of one of his store's products as "total crap".

## Fired after saying the unsayable

BY JEREMY WARNER

A JUNIOR fund manager at Legal & General, the insurance group, has been fired after publishing an unauthorised article in the *Investors Chronicle* on how to spot companies which are about to go bust. The article, described by the paper's editor, Gillian O'Connor, as "extremely amusing", apparently failed to meet with the approval of his seniors.

The fund manager, Eoin Costello, has told friends that he was forced to leave Legal & General after going ahead with publication of an article which, among other things, warned investors against buying shares in companies run by men with dickie bows, gold ID bracelets, toupées or suntans.

He claims he told a number of L&G directors of his intention to publish the article, and believed he had their permission. After they changed their minds, Mr Costello decided to go ahead anyway.

L&G dismissed suggestions that the case had parallels with the Terry Smith affair. Mr Smith was recently suspended as head of research at UBS Phillips & Drew after publishing a controversial book, *Accounting for Growth*, on techniques companies use to boost their profits artificially. At least one company mentioned in the book, Grand Metropolitan, used its banking relationship with Union Bank of Switzerland, owner of Phillips & Drew, to try to halt publication.

L&G insisted Mr Costello had not been fired for writing the article as such. It is understood that his seniors believed it to be "too over the top" to carry the L&G name, and withdrew authorisation. Most of the companies cited in the article are bust, but at least two, the advertising groups Saatchi & Saatchi and WPP, are still quoted. It is unlikely that either would have complained to L&G.

UBS Phillips & Drew last week wrote to institutional clients to explain its position on Terry Smith. Rudi Mueller, the chairman, said UBS objected to how the book was produced because it departed from the firm's procedures for maintaining its reputation for high-quality research. "Allegations that Mr Smith has been suspended due to pressure from major companies are both ill-founded and objectionable," he said.

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