

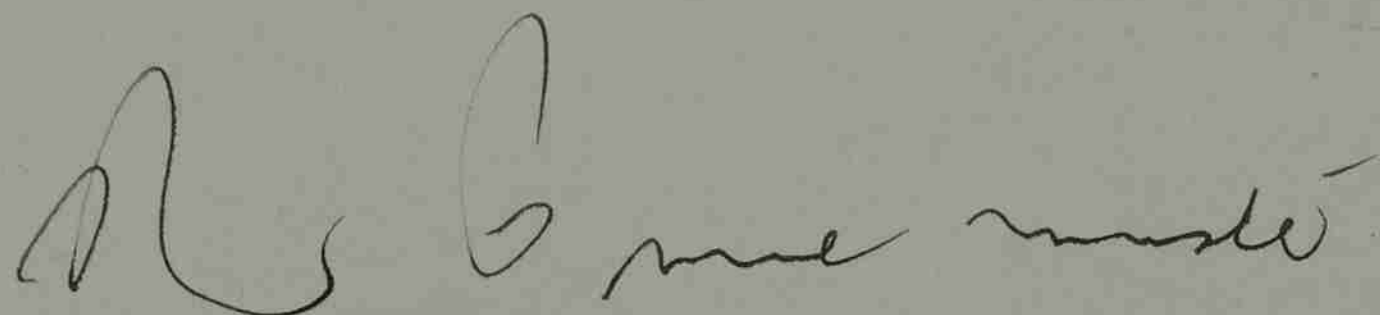
cc *MacGregor*Prime Minister

24A

*This is extremely disturbing*

BT 8/5

PRIME MINISTER



I want you to be aware of my very real concern at what is happening at the National Coal Board at present.

You will know that I have arranged to see Ian MacGregor once or twice a week. The purpose of this is not to interfere in the running of the business - indeed there has been no Government intervention apart from writing the cheques - but simply to keep abreast of developments and to understand how the NCB intend to end the huge financial drain and to bring the industry to break-even.

Over recent weeks we have discussed his strategy for the industry. In fairness to him the task of reconstruction is enormous, as we all recognise. The need for clarity of thought and direction is essential.

But even making allowance for the magnitude of the task I must report that I am far from satisfied with his performance. I have told you how, at various meetings, the figures he has given me show frequent and major changes through successive meetings. For example, at the meeting that took place on 1 May he said his target was to reduce men on colliery books from 171,000 to 140,000 by March 1986. Today he said the target figure for that date was 149,000, and when challenged said perhaps there was still hope of 145,000. The 140,000 seems to have receded to March 1987. His presentation, if not his perception, seemed muddled.

I have a much more immediate anxiety about the NCB's relationship with NACODS and its bearing on the standing and reputation of the Government. I do not want to see NACODS taking industrial action which the public thinks is justified because they believe the NCB is not honouring the NACODS agreement on pit closures. The outcome of the NACODS ballot is likely to be known over the weekend. Ian had previously told me how determined his management were to prevent the NACODS executive from inflicting further disruption upon the industry, and I understood from him that in this area he would continue to use Michael Eaton as his main public spokesman. He also said he was confident the NACODS executive would not obtain the necessary two-thirds majority from the members.

I sincerely hope he is right. The reality of the past two weeks in particular has been that NACODS spokesmen have enjoyed unparalleled access to the media which has gone virtually unchallenged by the Board. When David Hunt visited the Point of Ayr colliery he was shocked to discover that the mood on the ground amongst NACOD members was much inflamed by what they had been led to believe by their executive. The Board's industrial relations director told my officials today, in confidence, that he feared the result could now swing against the Board with the prospect of an overtime ban, perhaps leading to a strike if the Board then played their cards wrong. Michael Eaton has not appeared as the Board's spokesman: he has been sent back to Yorkshire because Mr MacGregor judges his most important task lies there.

Last night my press department phoned me after the nine o'clock television news, which I had not seen, to tell me there had been an item about the closure of two North East pits, and that again Mr McNestry had claimed the Board was violating existing agreements without consultation. Given the imminence of the ballot I telephoned MacGregor to ask how the Board would be responding. His immediate reaction was to criticise me for

paying too much attention to the threat posed by the union. He did however say that NACODS certainly had been consulted about the two closures. Thus, the Board had a good story to tell. So I urged him to tell it without delay.

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When I had my regular meeting with him today he had obviously thought further about the matter, and has issued the attached statement. It is an attempt to be constructive, but there is a hostage in the last paragraph which implies that procedures are only working normally in the areas that worked during the strike. The Board's spokesman today, who had the unenviable task of trying to rescue the Board from the brink, was Mr Spanton, who performed quite well, though he is no dazzling star.

My discussion today was a difficult one, but I gathered more clearly than ever before that MacGregor is determined to have and to win a confrontation with NACODS even if this means a strike. I said I hoped this could be avoided and I reminded him of his earlier optimism about the ballot. I also pointed out that if by any chance his personal optimism was unfounded and a strike occurred both the Government and the Coal Board could face serious difficulties with public opinion. He seemed unmoved by this.

I have made it clear that if, by chance, NACODS do take industrial action of any kind, there must be the closest consultation between the Board and the Government about how it is handled. Apart from the reputation of the Government, this would affect the rebuilding of power station coal stocks.

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Our discussion also touched on the question of Mr Cowan's retirement as Deputy Chairman. MacGregor is now talking of "midsummer" and does not wish to commit himself to June, as we earlier agreed, when Cowan was to become chairman of Coal Products Ltd. He said Cowan had reservations which might be

"worked out". But it is clear to me that he is shifting his ground on timing, if not substance.

The Coal Board is a leaky place. As it happens we had already had intelligence from several sources that Mr MacGregor is determined to keep Cowan on for a longer period.

MacGregor knows that I consider the time has come to grasp the nettle. Cowan's tenure as Deputy Chairman is proving very bad for morale at the Board. Indeed, I reminded MacGregor that this had been his view when he suggested a knighthood for Cowan.

I believe that we have a rather uncertain personality guiding events at present. He has an impossibly large task as Chairman and Chief Executive of a demoralised, ineffective, organisation. At minimum I believe we need to appoint one or two new Deputy Chairmen from June, despite the risk that MacGregor will disagree and that he could take this to its ultimate conclusion and resign. But I still believe this to be a necessary intervention.

I know that David Hunt and Ken Couzens share my view that there is a problem of sizeable proportions to be tackled urgently. I would welcome the opportunity of an early discussion with you.



SECRETARY OF STATE FOR ENERGY

9 May 1985