

SECRET



10 DOWNING STREET

21 May 1985

From the Private Secretary

COAL INDUSTRY

I attach a copy of Mr. Walker's letter to the Prime Minister of 9 May and records of the Prime Minister's meetings with Mr. Walker and Mr. MacGregor. I should be grateful if these could be retained in the Private Office and shown only to those who need to see them.

ANDREW TURNBULL

Mrs. Rachel Lomax,
H.M. Treasury.

SECRET

File VLB 27D.
SUBJECT
cc Master



bc: R. Gregson

COPY No 3 of 3

10 DOWNING STREET

From the Private Secretary

13 May 1985

MEETING WITH MR MACGREGOR

The Prime Minister met Mr MacGregor today for about half an hour. He emphasised that, despite suffering a reverse in the recent strike, the NUM were regrouping for further challenges. The Prime Minister shared this perception. It was essential therefore to be prepared for further industrial disputes. The subsequent discussion covered the following issues.

(i) Closures and Redundancies

The Prime Minister urged Mr MacGregor to prepare a clear strategy for closures and redundancies. She feared that redundancies might be achieved without being translated into closures.

(ii) NACODS and the Review Procedure

Mr MacGregor described NACODS as the "chosen instrument" of the NUM for putting pressure on the Board. In the longer term, the solution was to change the legislation which enshrined the position of NACODS but this would take two years. The legislation was unsatisfactory as it defined how the NCB should carry out certain tasks rather than setting objectives and standards and leaving it for the Board to decide how to achieve them. The Prime Minister said it was essential for the Board to be seen to be implementing the agreement with NACODS on the review procedure. It would be fatal if the Government and the Board were perceived by the public to be backtracking. Mr MacGregor said he was pressing the idea of a single inspector but the unions still preferred a three-man review body - one of ours, one of theirs, and one acceptable to both.

He expected the result of the NACODS ballot to be a vote in favour of industrial action of 50-60 per cent, ie. over a majority but less than the two-thirds required in the rule book. There was likely to be strong support in the militant areas, matched by equally strong opposition in the working areas. He wondered, however, whether the Government legislation overrode the rule book. (I have since spoken to the Department of Employment who believe the position to be that an overtime ban would be industrial action in breach of

contract and hence within the scope of the legislation. This is, in effect, admitted by NACODS, who have referred to this on the ballot paper. A vote over 50 per cent would preserve the union's immunities but would not override the rule book. The latter does not refer specifically to overtime bans, merely to national strikes and stoppages. On the assumption that an overtime ban is a "stoppage", action to call such a ban with less than a two-thirds vote would be subject to challenge by NACODS members).

(iii) Management and Board Changes

The Prime Minister asked Mr MacGregor about his plans to strengthen the management and Board. Mr MacGregor said he had agreed with Mr Harrison that he should retire soon as Finance Director and as Chairman of Coal Products. This would allow Mr Cowan to retire as Deputy Chairman and take over as Chairman of Coal Products, a process which should be complete by July. He did not propose to appoint a replacement immediately but might appoint two or three Deputy Chairmen later in the year.

Mr Spanton would be retiring around September, though he would stay on as Chairman of NCB Enterprises. Mr Butler would take over as Finance Director and Mr Eaton would succeed Mr Spanton as Director of Personnel. The Prime Minister wondered whether Mr Stanton was the right person for NCB (E). Mr MacGregor said he would be supported by able young executives and would be assisted by two of the non-executives members of the Main Board.

Mr MacGregor explained the background to the establishment of the Executive Committee. Mr Northard was becoming Director of Operations and all the Area Directors would report to him. Mr Moses would be Technical Director. These two would form the centrepiece of the Board's operations. The Executive Committee met weekly, usually in the Midlands, though occasionally in London. It was agreed that the Prime Minister should meet the members of the Committee. I will be in touch to arrange how this might be done.

The Prime Minister asked Mr MacGregor for his thoughts on his own successor. Mr MacGregor suggested that Mr Roger Bexon, currently the Deputy Chairman of BP might be a suitable candidate. The Prime Minister asked whether there were any internal candidates as she felt that the issue of closures might be less contentious if presented by someone with a coal background. She suggested Mr Moses. Mr MacGregor's response was that Mr Moses would need considerable grooming for such a role.

(iv) Publicity

The Prime Minister felt that the Board had given NACODS too free a run and had only belatedly sought to present its side of the case. She urged that Mr Eaton should continue to present the Board's case, as he had done so successfully during the course of the strike.

(v) Coal Movements

Mr MacGreogor said that movements, at 2 mt a week, were meeting the schedule agreed with CEGB. Substantial movements were now being achieved from stocks held at open cast sites. Nevertheless, he felt that CEGB should be urged to rebuild stocks at Rotterdam as a precaution against another dispute. The Prime Minister said she would ask the Department of Energy to consider this idea.

(vi) Open Cast

The Prime Minister asked whether open cast output could be expanded, eg. by increasing operations where planning consent had already been agreed. Mr MacGregor said he had discovered that there was an unwritten agreement (it was not clear who the parties were) to limit open case production to 13 mt a year. He recognised, however, the case for going beyond this. The Board proposed to develop open cast operations in Ayrshire in parallel with the run down of Barony and Killoch. Transferring men from the declining pits to the new operations faced the difficulty that a change of union would be necessary.

(vii) Working Miners

There was a discussion about NCB's policy towards those working miners who had played a prominent role in the back to work movement. Robin Butler will be writing separately about this.

ANDREW TURNBULL

Michael Reidy, Esq.,
Department of Energy

✓ FEB - To see and return

Copy No 1 of 2

NOTE FOR THE RECORD

NATIONAL COAL BOARD

The Secretary of State for Energy came to see the Prime Minister today to express his concerns about the Coal Board and about the performance of Mr. MacGregor as Chairman. This largely followed the account given in his minute of 9 May. Mr. Walker made the following criticisms:

- i) It was very difficult to get from the Chairman a clear picture of his intentions on closures and redundancies.
- ii) Mr. MacGregor's handling of the dispute with NACODS was very unsure. He seemed to be more set on having a showdown with NACODS than on securing agreement on a revised colliery review procedure. In principle, the NACODS ballot was one which ought to be decisively rejected; in practice, as a result of the Board's mishandling, it could well succeed. The handling of publicity generally erratic. For a time the Board had maintained no public presence at all but it had now reacted strongly though probably too late.
- iii) It was hard to reach any understanding with Mr. MacGregor about future Board appointments.

In summary, Mr. MacGregor appeared to be erratic and indecisive.

Mr. Walker said the best outcome for the Government was for Mr. MacGregor to serve his remaining term but in increasingly non-executive capacity. For the Chairman to leave now would appear as a vindication of the NUM/Labour Party position that his appointment was misguided. Mr. Walker believed that the next Chairman should have a coal industry background and be someone who could handle successfully the public relations aspects of the job. Beneath him there could

be a Chief Executive brought in from outside, perhaps with a financial background. By contrast, the Chairman seemed to prefer outsiders for the key Board positions. In particular he favoured Mr. Newbigging whom Mr. Walker regarded as unsuitable.

Mr. Walker said he was anxious to replace the Deputy Chairman, Mr. Cowan, as soon as possible. Mr. MacGregor had at one stage agreed that this should be done quickly but he was now procrastinating. Mr. Walker envisaged replacing Mr. Cowan with one of the existing senior managers on the Board who might subsequently go on to become Chairman. The main contenders were Mr. Eaton, Mr. Edwards, Mr. Moses and Mr. Wheeler. Mr. Eaton was well known publicly, had proved a good communicator but had a tendency to flap under pressure. Mr. Edwards had been successful on the marketing side but had no experience of production. Mr. Moses had been tough and successful in North Derbyshire but had no experience at national level. Mr. Wheeler, though extremely able, had generated a great deal of hostility with the unions which probably disqualified him for promotion in the immediate future. He was, however, young and would be a contender in a few years' time. On balance, Mr. Walker favoured Mr. Moses and he suggested that the Prime Minister should find an opportunity to meet him.

Mr. Walker mentioned that Mr. Siddall's health had improved greatly following heart surgery but to reinstate him at the Board would appear as a reversal for the Government.

The Prime Minister said that she would shortly be meeting Mr. MacGregor and would question him hard on:

- closures and redundancies
- the review procedure
- the dispute with NACODS
- Board appointments

AT

Andrew Turnbull

10 May 1985

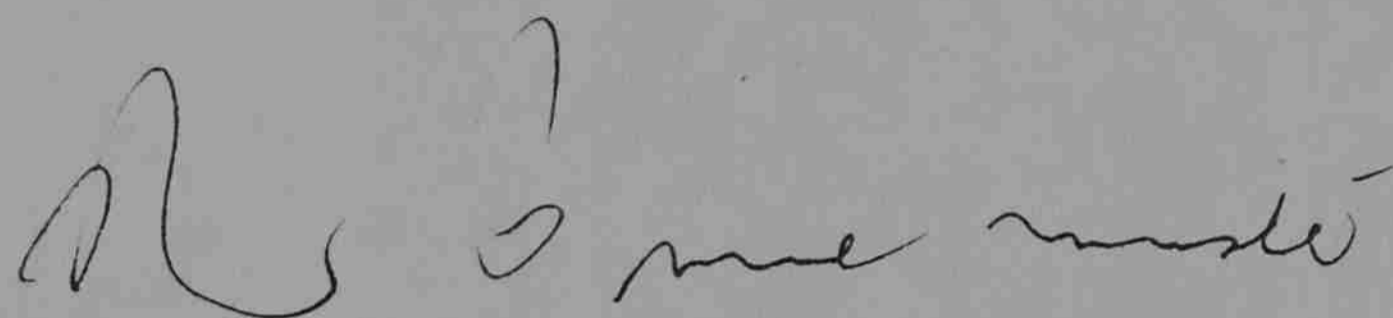
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Prime Minister

This is extremely disturbing <

AT 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.

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.

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