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PRIME MINISTER

APPOINTMENT OF MR MACGREGOR AS CHAIRMAN OF THE NCB

I have minuted the Chancellor separately about the outcome of my discussions with Ian MacGregor over the remuneration package he is seeking if he is to be appointed as Chairman of NCB when Norman Siddall retires later this year. I hope that agreement on this can be reached very soon. This minute is to discuss the form of any announcement and some related issues.

Announcement

Given continued speculation we must clearly make an announcement as soon as possible. That should be possible during the course of next week.

MacGregor's appointment to the BSC was the subject of a statement in the House by the then Secretary of State for Industry. In view of the controversy surrounding the appointment this was followed by a debate two weeks later. I am sure that I must announce the appointment of MacGregor to the NCB and the main elements of his remuneration package in an oral statement to the House. I would hope that we could avoid a debate and would certainly not be in favour of giving Government time for one.

If you agree that I should make an oral statement I will circulate a text as soon as final agreement is reached with all concerned.

Timing of the Appointment

Norman Siddall is due to retire on 3 July. He had, reluctantly because of his health, agreed to stay on until the end of August when it seemed that Alistair Frame could not take over at BSC until 1 September. Now that Frame is no longer available for BSC, I see no need to extend Siddall's appointment. MacGregor's present three year appointment at BSC finishes at the end of June and I would like MacGregor to start at NCB on 4 July, subject only to any comments Patrick Jenkin might have.

Mr MacGregor's Continued Membership of the BSC Board

Mr MacGregor has suggested that he might remain as a part-time Member of the BSC Board. This is a matter for Patrick Jenkin but we now need to take a view on the suggestion.

Mr MacGregor's Objectives at NCB

I must seek to agree with Mr MacGregor what his objectives should be as NCB Chairman. I attach draft objectives which are based closely on those I have already agreed with Norman Siddall after full discussion with colleagues. Subject to your comments, or those of the Chancellor, I will put these draft objectives to MacGregor.

I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, and the Lord President of the Council and to Sir Robert Armstrong.

*NR*

Secretary of State for Energy

*16th* March 1983

OBJECTIVES

1 Although coal is one of the United Kingdom's major natural resources, in the Government's view the justification for coal production like that for any other business lies in the ability of those engaged in it to earn a satisfactory return on capital while competing in the market place. The basic objective for the National Coal Board therefore must be to earn a satisfactory return on its assets in real terms after payment of social grants. This return will need to be quantified in time to be introduced for the next financial year.

2 The NCB should aim to maximise its long-term profitability by securing those sales which are profitable on a continuing basis in competition with other fuels. It should plan its marketing, production and capital investment accordingly and bring productive capacity into line with its continuing share of the market.

3 The Board's objective should be to ensure that over the next five years its operating costs (including depreciation and capital charges but excluding interest) per tonne of coal produced are reduced in real terms for deep-mined and for open-cast production separately. (In this calculation, the GDP deflator should be used). This objective will be quantified in time to be introduced for the next financial year.

4 Either the Board or the Government may propose additional objectives from time to time. Any consequent adjustment to existing objectives would need to be discussed.



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Originals held  
in Appointments

10 DOWNING STREET

*From the Private Secretary*

21 March 1983

APPOINTMENT OF MR. MACGREGOR

The Prime Minister was grateful for your Secretary of State's minute of 16 March.

Mrs. Thatcher agrees to your Secretary of State making an oral statement as he proposes; and, subject to the views of colleagues, to Mr. MacGregor both starting at the NCB on 4 July and remaining a part-time member of the BSC Board. The Prime Minister is also, subject to colleagues' views, content with the draft objectives attached to your Secretary of State's minute.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord President of the Council and Sir Robert Armstrong.

Julian West, Esq.,  
Department of Energy.