

Treasury Chambers, Parliament Street, SW1P 3AG 01-233 3000

10 September 1985

The Rt Hon Peter Walker MBE MP Secretary of State for Energy Department of Energy Thames House South Millbank London SW1

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NATIONAL COAL BOARD CHAIRMAN AND DEPUTY CHAIRMAN

You wrote to me on 2 September about the appointment of a new Chairman and Deputy Chairman of the National Coal Board. I understand you now need a response today.

I am happy with the choice of Bob Haslam as the eventual successor to Ian MacGregor. But I need to consider further your salary proposal, including compensation for Haslam's share option, and will write again on that aspect later this week.

I am now content with your salary proposls for Jimmy Cowan and Ken Couzens, but in both cases I hope you will be able to reach agreement below the figures of £62,529 and £59,440, respectively. As mentioned in my letter of 5 August, Couzens' salary will be abated to take account of his Civil Service pension.

I am copying this letter to the Prime Minister, Leon Brittan and to Sir Robert Armstrong.

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PRIME MINISTER

COAL BOARD APPOINTMENTS

The Secretary of State for Energy's letter of 2 September at Flag A seeks the Chancellor's approval for salary packages for Sir Robert Haslam as potential new Chairman of the Coal Board, for a salary for Mr Cowan to encourage him to step down as soon as possible, and for a salary for a newly appointed Deputy Chairman.

The story so far is that Mr Walker investigated alternative candidates to Sir Robert and found none of them acceptable. You agreed orally last month that he could therefore approach Sir Robert Haslam.

The Chancellor did not know this and it will be a surprise to him. He is now being asked to approve a salary for Sir Robert.

On the Deputy Chairman's salary, the Secretary of State for Energy has already been in correspondence with the Chancellor. The Secretary of State wants to go to £62,529 if this proves to be necessary to encourage Cowan to step down. The Chancellor has so far only said that he is prepared to go to £59,440. However, you have agreed with the Secretary of State for Energy that an increase to £62,500 may be necessary as part of the agreement under which Cowan would retire to be replaced by Sir Kenneth Couzens. I have told the Treasury.

On the salary for a new appointment as Deputy Chairman it looks as though the Chancellor and the Secretary of State for Energy will be able to agree on £59,440.

I am putting this to you now in view of your earlier direct involvement. But the main elements in a package of changes are now more or less settled.

Await the Chancellor's reaction?

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SECRET COPY NO 7 OF 5 01 211 6402 The Rt Hon Nigel Lawson MP Chancellor of the Exchequer Treasury Chambers Parliament Street LONDON SWIP 3AG 2 September 1985 COAL BOARD APPOINTMENTS - a (tachel) Your letter of 5 August commented on my minute of 19 July to the Prime Minister about Coal Board appointments. I am now able to put the appointment of a new Deputy Chairman, which was then under discussion, in a broader context. Quite apart from the retirement of Mr Cowan and the appointment of Ken Couzens as a Deputy Chairman I have also discussed with the Prime Minister and Norman Tebbit my hope that Bob Haslam should eventually become Chairman of the NCB in succession to Ian MacGregor. The Prime Minister and Norman have agreed with this and Haslam has expressed his willingness. He would hope to disengage from BSC and Tate and Lyle by February of next year. In the meantime, my intention would be to make him a part time Deputy Chairman of NCB, and to indicate that he will become the Chairman in succession to MacGregor. Haslam wishes to take some leave after February so I envisage that he would become a full tiem Deputy Chairman in, say, April 1986. But, before I can finalise that arrangement, I need the agreement of colleagues to a remuneration package for Haslam. He has made it clear that he is not prepared to undertake the task for less than his current earnings which are £76,000 from Tate and Lyle and £68,000 from BSC (in each case bonus or peformance additions are included in these figures). Assuming a 10% increase by the time his appointment becomes effective, Haslam is seeking a salary of £150,000 from the time that he takes up full time appointment at the NCB. There is a further complication. Under the Tate and Lyle share option scheme, he has an entitlement of 31,000 Ordinary Shares at 438p, realisable during the period from 31 March 1988 to 31 September 1988. If he joins the NCB on a full time basis he will lose that option entirely and will be looking for compensation. His guess is that the shares could provide him with up to 200p a share so we would need to agree to compensate him up to the level of £62,000. SECRET



At first sight, Bob Haslam's pension arrangements do not seem likely to create any problems.

I regard such a remuneration package as fully defensible, especially against the background of the MacGregor arrangements at BSC and NCB, and I am therefore seeking your agrrement, in principle, and that of colleagues to further discussion with Haslam on the above basis.

I return now to the questions about salaries for Cowans and Couzens that were raised in your letter of 5 August.

I am satisfied that Jimmy Cowan should not be asked to work the full period of 6 months notice, but I must urge you to reconsider the personal salary increase I have proposed for Cowan. As I made very clear in my minute of 19 July to the Prime Minister, the double increase in salary could be an important element in obtaining Cowan's agreement not to work his full period of notice. In my view the priority must be to encourage Cowan to step down as soon as possible and I would urge you to let me have the authority to increase his salary to £62,529 if this proves to be necessary.

As regards the appointment of Ken Couzens as Deputy Chairman, I have in mind an announcement in September or perhaps October which will be suitably distant from the recent TSRB controversy.

I have been reconsidering the appropriate level of salary for a newly appointed Deputy Chairman. I accept that the personal salary fixed for Jimmy Cowan cannot automatically be adopted as the starting point for the new appointment, but it does seem to me that any serious discrepancy would be difficult to justify. On the assumption therefore that you are able to agree the rate I have proposed for Jimmy Cowan, I could agree that the new appointment should be offered at £59,440, to last until November 1986. This will be broadly in line with the maxima of the ranges for other nationalised energy industries' deputy chairmen allowing for some enhancement over the next 12 months. And, as you say, abatement will apply under the existing rules.

I should be grateful for your agreement to these proposals. I am copying this letter to the Prime Minister, Norman Tebbit and to Sir Robert Armstrong.

PETER WALKER

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