

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

27 September 1985

attached

David Norgrove Esq 10 Downing Street London Wl

Dear David

Prime Ninter

Agree the proposed

besis 1 compensation?

Der 27/9

NATIONAL COAL BOARD: SIR ROBERT HASLAM'S SALARY

The Chancellor has seen the Secretary of State for Energy's letter to him of 23 September, and your letter of 24 September to John Mogg.

He sees presentational difficulties in the proposed basis of compensation to Sir Robert Haslam for the loss of his Tate and Lyle share options. Taking Sir Robert's own figures, that the option might be worth 200p a share by 1988, he might receive a grossed-up payment of around £100,000 at that time. In defending this publicly, it would be clear that this payment did not relate to the performance of the National Coal Board under Sir Robert's chairmanship, but to the performance of Tate and Lyle since his departure. This could put Ministers in a difficult position.

Nonetheless, the Chancellor would be inclined to accept Mr Walker's proposal, provided the Prime Minister agrees. I should be grateful if you could let me know the Prime Minister's views.

A W KUCZYS

Yours sincerely

Comparation = the loss. I april the most.

SECRET



File of 10

10 DOWNING STREET

From the Private Secretary

30 September 1985

NATIONAL COAL BOARD: SIR ROBERT HASLAM'S SALARY

The Prime Minister has seen your letter to me of 27 September. She agrees the proposed basis of compensation to Sir Robert Haslam for the loss of his Tate and Lyle share options.

(DAVID NORGROVE)

A. W. Kuczys, Esq., HM Treasury. SECRET ASG



10 DOWNING STREET

From the Private Secretary

24 September 1985

Dear Form,

CHAIRMANSHIP OF BSC

The Prime Minister has seen the Secretary of State for Energy's report (letter to the Chancellor of 23 September) that Sir Robert Haslam has agreed a salary for his appointment at the NCB, and it seems likely that full agreement on a package will soon be reached.

In the light of this, she has asked what consideration has been given to finding a replacement for Sir Robert Haslam as Chairman of BSC. She hopes that an open mind will be kept on the possibility of outside candidates. She has, for example, heard good reports of Graham Day's performance at British Shipbuilders.

She believes that whoever is chosen, a clearly agreed mandate for the new Chairman will need to be given. This will need in particular to cover the objectives for privatisation to the maximum extent possible of parts of BSC.

I am sending a copy of this letter to Rachel Lomax (HM Treasury).

Your bricely,

David

David Norgrove

John Mogg, Esq., Department of Trade and Industry.

SECRET



Prime Minter Agree to use or Wallers letter (below) as a peg for Peter Wany's Regented Cetter? If so, I suggest a more ventral expressel : - what are their thoughts in a replacement; hope keep an open mind on intride candidates eg Day, of whom you have had perd reports; in any case need to drawup a mandate. (It seems underitable to express too from a view to a butter at this stage. He went be allowed to have a flish view.) 23/9

MR NORGROVE

CHAIRMAN OF BSC

A successor is needed for Bob Haslam at BSC now that he is destined for the Coal Board. An obvious candidate would be Bob Scholey who has effectively run BSC for the last 10 years. But his formidable knowledge of the steel industry may be as much a disadvantage as an advantage, and his results at BSC over the years speak for themselves. Scholey is unlikely to tolerate interference by any new Chairman and might well leave - but perhaps it is time for a change.

Easily the best performer as Chairman of a declining nationalised industry is Graham Day. Once Government policy has been established he has carried it through cleverly and without demur. He is the only Chairman prepared to sell off profitable activities (in his case warshipyards), so as to concentrate management effort on the residual loss-making rump. The British Shipbuilders workforce has been more obstructive than that of BSC and its product markets even worse than those for steel. Day is well capable of running a larger industry, and both Brian Griffiths and John Redwood agree that he is the ideal candidate for BSC.

Whoever is chosen, DTI (perhaps in conjunction with Bob Scholey) should be drawing up a set of policies and plans that would act as a mandate for the new Chairman. This should include agreement to sell off all the profitable parts of BSC and disposal of their 'long legs' (the operations between primary steel-making and the processed product ready for the ultimate customer.)

Why not ask DTI to indicate their thinking on the new Chairman, to suggest that Graham Day seems an ideal candidate (perhaps with Scholey replacing him at Shipbuilders), and to ask them to start drawing up a mandate for the new Chairman?

PETER WARRY

SECRET COPY NO 2 OF 5 01 211 6402 The Rt Hon Nigel Lawson MP Chancellor of the Exchequer Treasury Chambers Parliament Street LONDON 23 September 1985 SW1P 3AG COAL BOARD: SIR ROBERT HASLAM'S SALARY Thank you for your speedy and helpful letter of 11 September about the salary proposals for Bob Haslam. You will be glad to know that I was able to persuade him to accept an annual salary (both as full time Deputy Chairman and subsequently as Chairman of the NCB) of £145,000. This is a lower figure than the combined remuneration he will be receiving in the current financial year from Tate & Lyle and BSC. He has also agreed that his salary should not be reviewed until 1 November 1987 and that he should accept no remuneration over his period as part time Deputy Chairman. He does not seek to draw any immediate pension from the BSC scheme so that no question of abatement will arise. He will probably wish to find some way of transferring his BSC pension rights to the NCB. This should present no difficulty of principle but the details can be discussed by officials in due course. He is however unable to accept the proposal that he should be compensated for the loss of his Tate & Lyle share option on the basis of the market price applying at the time when he leaves that company at the end of February 1986. This option, which is first available from 31 January 1988, dates only from 31 January 1985. There is likely to be only a small appreciation on the option price of 438p by next February. He is firm in the view that he would not be prepared to accept fixed compensation in advance for the value of the option at a figure less than 200p a share. He does not however favour settling the matter on that basis. He wishes to receive neither more nor less than he would have been able to receive by retaining the option and exercising it in 1988. I therefore suggest that we should devise a solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution designed as far as possible to achieve the solution and the solution designed as far as possible to achieve the solution designed the solution desi a solution designed as far as possible to achieve that result. In essence this means that we should agree now to pay him a lump sum in 1988 which would, on a post tax basis, correspond with the sum he might have received by exercising the option at that time. One way of doing this might be to calculate the amount by which the Tate & Lyle share price, averaged over an agreed period of months in 1988. had exceeded the option price of 438p. SECRET



Since Bob Haslam has been very co-operative in fitting in with our plans and over the rest of the remuneration package, I very much hope you will agree that we might settle the compensation for the share option on the lines set out above. Our officials might then work out the details.

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



Not Industry; Board Solovies,.

