

PRIME MINISTER

MEETING WITH MR. WAKEHAM AND SIR ROBERT HASLAM

You are meeting Mr. Wakeham at 0930 on Tuesday 24 April.  
Sir Robert Haslam will join the discussion at 1000.

There are three items on the agenda:

- (i) an Honour for Sir Robert Haslam (first discussion only);
- (ii) a successor to Sir Robert Haslam;
- (iii) the Colliery Closure Review Procedures.

The attached notes (Flag A) from Andrew Turnbull cover the first two items.

On colliery closures, you will recall the earlier discussion with Mr. Wakeham, the Chancellor, Mr. Ridley, Mr. Howard and Mr. Walker on 2 April. I attach at Flag B Paul Gray's note of the meeting. The main points were as follows.

- (a) Mr. Wakeham proposed that the closure of ten pits should be covered not under the existing Independent Review Body (IRB) procedures on a case by case basis but collectively under a new unified review. This was Sir Robert Haslam's own proposal.
- (b) These closures are necessary because of over-capacity following the reduction in the demand at power stations, after the latest negotiation with the CEGB. Sir Robert Haslam had argued that the closures were therefore driven by rather different, essentially, market considerations than the forty or so pits closed since 1986 under the IRB procedure. In these cases rising unit costs (e.g. as a result of difficult geology in individual pits) of production, rather than reductions in demand were the principal factor leading to closure.



- (c) The conclusion of the meeting was that it would be wrong to change the existing IRB Procedures. To go for closure of ten pits at one time might provoke a confrontation. It would be better to modify the criteria for reviewing individual pits (if necessary) so as to provide a wider definition of costs that would encompass transport as well as production costs. It made little practical difference whether a pit was uneconomic because of falling demand or rising costs: and the critical cost was cost per tonne at delivery point, not production cost.
- (d) On this basis, each pit could be taken individually under the existing procedure, and the Government would not have to abrogate the IRB.
- (e) Mr. Wakeham accepted this view but said that Sir Robert Haslam would wish to see you in order to be persuaded of the case.

The Policy Unit note (Flag C) makes it clear that Sir Robert's view is not unanimously held by the Board of British Coal. Moreover Sir Robert may well be open to persuasion, while arguing that it will lead to cost overruns. (Presumably this is because uneconomic pits will have to be kept going for longer.) You do not need to be drawn on cost issues or give any commitments on costs at the meeting.

You may like to draw on the following points at the discussion with Sir Robert:

- agree that the pits (probably around 10) need to be closed.
- important to do this in a way which secures their closure without provoking confrontation in the industry.
- concern that over-throwing the existing IRB procedures - which have served the Government well - would risk just that confrontation.

- key requirement is to proceed as fast as practicable using existing arrangements.
- if necessary the existing cost criteria for closures may need to be revised to cover transport plus production, i.e. delivery costs rather than just production costs. (Grateful for Sir Robert's views on this.)
- very open to other suggestions on how the closures might best be handled, so as to avoid any risk of provoking adverse reaction.

BHP

BARRY H. POTTER

20 April 1990

c:\economic\wakeham (kk)





10 DOWNING STREET

1. ~~Amenda~~

Fixed for 10.00  
on 24 April

2. ~~Barry.~~

3. ~~Amenda~~

CHS  
0930 24  
April

Can we have a short  
(1/2 hour) slot before this  
meeting, so that John Wakeham  
can speak to the P.M. alone about  
this.

BHP 6/4

Cardinal

fixed for 1000

Thurs 24 April

AMANDA PONSONBY

Green  
5/4

CONFIDENTIAL

? 11.30-12.30 on

18 April

or 10.00-11.00

on 20 April

cc Barry Potter

COLLIERY CLOSURES: INDEPENDENT REVIEW BODY

Please see the attached letter from John Wakeham. Could you now liaise with his office in fixing up a meeting for the Prime Minister with both John Wakeham and Bob Haslam. The week after Easter would be ideal if that could be managed. You ought to allow 45 minutes - an hour for what will be a difficult occasion, preferable on a day when there is not too much other tension.

Once a meeting is fixed please pass the papers back to Barry; who will need to organise a speaking note and other briefing for the Prime Minister.

Recg.

Paul Gray

4 April 1990

15.15 - 16.15 23 April  
or 10.00 - 11.00 24 April

Wk begin 23/4  
HT - get duplicated.

c: colliery (MJ)

CONFIDENTIAL



cc: P. H.?  
Pl check  
ppj

Prime Minister

**COLLIERY CLOSURES: INDEPENDENT REVIEW BODY**

Following our discussion on Monday <sup>my record at 10:15</sup> I have now seen Bob Haslam and explained to him the view that the Government has reached on the Corporation's proposed approach to the next colliery closure round. While he understands our position, he nevertheless feels strongly that he should meet you as we had originally suggested so that he can argue his case in person. I hope that we can therefore now arrange such a meeting shortly after Easter. While the object of the meeting will be to try to persuade him to continue with the Corporation's previous approach of seeking closures on a pit-by-pit basis to the greatest possible extent we will also need to bear in mind the risks associated with imposing on the Corporation a course of action that they do not believe in.

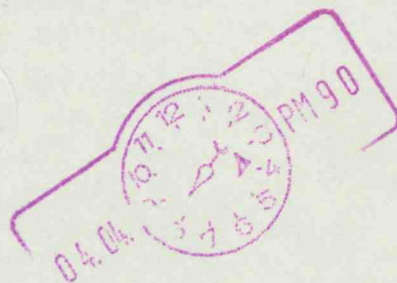
It would also be helpful to use this opportunity to try to progress the question of Bob Haslam's successor as Chairman of British Coal. I indicated to you my preference when we met, but it would be useful to allow Bob Haslam to put his views on this matter in front of you. You might possibly wish to have a further word with me about this before the meeting.

SECRETARY OF STATE FOR ENERGY

4 April 1990



NATIND  
Coal  
Pt 21



UNITED STATES POSTAL SERVICE

TO: Mr. J. Edgar Hoover, Director, Federal Bureau of Investigation, Washington, D.C.  
FROM: Mr. [illegible], [illegible]  
SUBJECT: [illegible]

Re: [illegible] letter to Bureau dated [illegible] and [illegible] letter to [illegible] dated [illegible].

Enclosed for the Bureau are two copies of a letterhead memorandum (LHM) dated and captioned as above.

Very truly yours,  
[illegible signature]

[illegible text]

Enclosure

[illegible text]