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PRIME MINISTER

20 April 1990

BRITISH COAL - HASLAM MEETING ON TUESDAY

There is a major rift among the executive directors of British Coal on how the colliery closures should be handled. One came to see me today without Haslam's knowledge to make the following points:

- (i) He and at least one executive colleague believe that the 8/10 closures could be affected without any departure from the existing IRB procedure. At each individual colliery the men would be offered the generous redundancy terms already agreed by the Treasury as set out in my note of March 10. Any pit which sought an IRB hearing should be given the opportunity in exactly the same way that the 40 collieries closed since 1986 were handled. (None of these actually sought an IRB).
- (ii) Although this is not Haslam's recommendation, he will implement such a procedure if Government so decides. He will, however, argue that this will involve significant cost overruns beyond the Treasury agreed figures. (My contacts do not believe such cost overruns would be significant, although Haslam may suggest figures in excess of £300 million.)
- (iii) Although overall marketing arrangements are different under the new contracts, this does not invalidate the concept of IRB review as set up during the strike. Each individual colliery is still in the position of having to establish its profitability from its costs and productivity levels just as before. The fact that it has been rendered unprofitable because of location is simply a changed external factor which the IRB will have to take into account.

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You may care to put this point to Haslam if he argues that the new contracts mean a fundamental change in the ground rules.

(iv) The non-executive directors traditionally take the side of the Chairman on every issue at BCC. However, there are at least three (Dearing, Parker and Erbe) who would privately support the above line. Haslam's argument that all the Board are behind him is therefore not true.

(v) Concerning the Haslam succession, I was given the following information. David Walker (Wakeham's candidate) will not accept. John Parker (Haslam's candidate) who is chairman of Harland & Woelf might accept a part-time position provided that he could continue to concentrate his energies on Northern Ireland. It therefore seems that of the two names put to you at the April 2 meeting, neither is a starter.

COMMENT

The executive members of the British Coal Board are clearly at loggerheads, specifically on the question of IRB suspension for this round of colliery closures, but also more generally. Some are looking to their personal futures after possible privatisation next Parliament and all are concerned about the potential performance of British Coal in a truly competitive market. The one uniting factor is that British Coal should be privatised as one entity! This is the usual refrain of nationalised industry management, but in the case of coal most external economic opinion is that it should be broken up.

An effective successor to Haslam will therefore have to take a tight grip on a very divided church while having the capacity to recognise that ultimate success might necessarily mean the fragmentation of the empire which he inherits.

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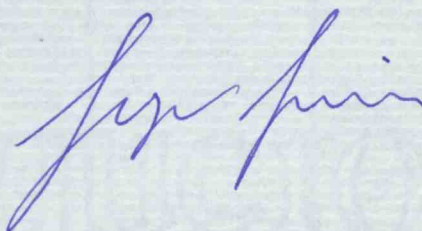
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RECOMMENDATION

The pits have to be closed and no one dissents from this. On April 2 Ministers were of the unanimous view that the IRB procedure should not be suspended. I still recommend that you weigh Haslam's argument for so doing very carefully because he is the last person who wants a coal strike and has handled a managerial nightmare remarkably deftly since the strike years with consistently improved output per man shift.

If, however, he fails to convince and reluctantly agrees to prosecute the normal IRB mechanism for each colliery, **do not make any concessions about further cost overruns**. He must put that case to the Treasury and my information is that it will not be an easy one to make.

A handwritten signature in blue ink, appearing to read 'George Guise', is centered on the page.

GEORGE GUISE

Annex: Coal Board Members.

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Members of the Corporation

on March 25 1989

Sir Robert Haslam, Chairman
Mr J H Northard CBE, Deputy Chairman
Dr D V Atterton CBE
Mr C Barker
Mr M H Butler
Sir Ronald Dearing CB
Mr M J Edwards CBE
Mr K Moses CBE
Dr T J Parker
Sir Melvyn Rosser
Mr D B Walker

Mr J H Northard, who had been a full-time Member of the Corporation since April 1986, was appointed a Deputy Chairman with effect from May 1 1988.

Sir Kenneth Couzens, who had been a Deputy Chairman of the Corporation since October 1985, retired with effect from September 30 1988.

Sir Ronald Dearing was appointed a part-time Member of the Corporation with effect from June 1 1988.

Mr D B Walker was appointed a part-time Member of the Corporation with effect from July 1 1988.

Mr C Barker was re-appointed a part-time Member of the Corporation with effect from February 13 1989.

Announcements were also made during the year of the re-appointment of Sir Robert Haslam as Chairman of the Corporation with effect from September 1 1989 and the appointment of Mr D W Kendall as a full-time joint Deputy Chairman with effect from April 1 1989.