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PRIME MINISTER

E: NCB Finances

When the Ministerial Committee on Economic Strategy discussed the National Coal Board's finances last week (E(81) 16th Meeting, Item 1) it agreed among other things that:-

- (a) the NCB's EFL for 1981-82 should be revised upward to £1,100 million;
- (b) the NCB should receive a single new grant to replace the present specific operating and deficit grants and that this should be paid after striking profit and loss in the Board's accounts; and
- (c) the approved level of capital investment by the NCB in 1981-82 should be agreed between the Secretary of State for Energy and the Chief Secretary, Treasury.

2. The Secretary of State for Energy was unhappy with this decision and referred to it in Cabinet on the following day (CC(81) 19th Conclusions, Minute 5). You then reminded him that E Committee had also agreed that he should be free to bring the issues back to them if this seemed necessary.

3. In the event the matter was discussed further at an ad hoc meeting under your chairmanship which took place on 19th May. The conclusion of that meeting was to confirm the £1,100 million EFL but to agree that capital investment approval for this year should be set at £805 million: a level which would enable the Secretary of State to argue that the Government was providing the NCB with enough cash this year to sustain last year's investment level in real terms. These conclusions should be reported back to the full E Committee, and we have accordingly provided an opportunity for this as Item 1 of the agenda.

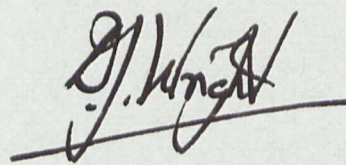
4. All you need say is that in setting an EFL for the NCB for 1982-83 of £1,100 million at its meeting last week the Committee left open for separate discussion the level of investment approval which should be given to the NCB for the same period. It has now been agreed by the Ministers concerned, with the approval of yourself and the Chancellor of the Exchequer, that the relevant

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investment approval should be £805 million. The other decisions of the Committee, including the EFL of £1,100 million remain unaltered.

5. There are two other points which you could (but need not) mention:-
- (a) The suggestion was made at your ad hoc meeting that the Monopolies and Mergers Commission might be asked to report on the NCB. The Secretary of State for Energy thought this a good idea in principle, but wanted to defer a decision until the NUM conference was out of the way. You could invite him to bring forward a paper on the subject at the appropriate moment.
- (b) In his minute to you of 13th May, the Chancellor of the Exchequer suggested that consideration should be given to mounting a publicity campaign designed to bring home to the public the real state of the NCB's finances. I doubt whether it is appropriate for this particular suggestion to be discussed in any detail in E Committee but you could, if you wished, simply invite the Secretary of State for Energy to let you, the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster have proposals for the sort of publicity campaign which might be helpful.
6. The conclusion of the meeting need be no more than a simple 'take note'.



(Robert Armstrong)

*(approved by Sir R. Armstrong
and signed on his behalf)*

20th May 1981