



cc P. Lewis
Energy FCO JS
cc CO
HMT

10 DOWNING STREET

From the Private Secretary

29 May 1979

OFFSHORE SUPPLIES INTEREST RELIEF GRANTS SCHEME

The Prime Minister has read your Secretary of State's paper on the above subject, which is to be taken by E Committee on Friday. She has some comments on the paper which your Secretary of State will wish to be aware of in advance of that meeting.

The Prime Minister does not find the proposal that the scheme should be widened to include EEC components up to a maximum of 50 per cent of total content as at all attractive. She regards the subsidisation of European manufacturers, which this would involve, as unacceptable. She has also questioned whether the proposition would not be contrary to Section 8 of the Industry Act 1972.

Instead of widening the scheme as proposed in the paper, or alternatively putting an immediate halt to it, the Prime Minister has suggested that we should phase it out over eighteen months. She appreciates that this might result in the UK being taken to the European Court, but she wonders whether - with the scheme being definitely phased out over a period - we would need to be too worried about an unfavourable Court decision.

I am sending a copy of this letter to Martin Vile in the Cabinet Office.

T. P. LANKESTER

W. Burroughs, Esq.,
Department of Energy.

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