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Treasury Chambers, Parliament Street, SW1P 3AG

10 August 1979

The Rt Hon David Howell MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

Dear David,

You sent me copies of your letters of 7 August to the Secretaries of State for Industry and for the Environment about the Energy Conservation Scheme and the Homes Insulation Scheme. In each letter you say that you hope that I would, if necessary, accept the proposed new expenditure as a claim on the Contingency Reserve.

I have tried to make my own position clear on the Energy Conservation Scheme. In my letter of 1 August I confirmed that I maintained the line I took in my letter of 3 July: namely, that if you were to put forward proposals for a further Scheme I would need convincing that there is a compelling case for Government expenditure rather than for leaving it to the private sector, and that any new public expenditure would have to be accommodated within agreed programmes.

Your present letters briefly assert your view that new expenditure is justified on both Schemes, but frankly you do not say what the expenditure would be or when it would be incurred.

Until you produce a more comprehensive argument for both the Schemes I do not feel I can take a different line, or consider whether I could support such expenditure even in principle.

In the meantime I am not willing to recommend to colleagues claims on the Contingency Reserve for these purposes in either 1979-80 or 1980-81. Ministers collectively could, if necessary, consider additional bids for the later years when we resume our discussions on the Public Expenditure Survey for 1981-82 onwards. But we are

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already faced with formidable problems in reducing programmes to acceptable levels, and unless the Departments of Industry and of the Environment were willing and able to find offsetting savings from within the ceilings which will be agreed for them your proposals would not be acceptable to me.

Since we are not expecting to finalise our decisions on the 1979 Survey by then, I am afraid I see no prospect of your being able to announce the new Schemes at your conference in Birmingham on 9 October.

I am sending copies of this letter to the Prime Minister and to the Secretaries of State for Industry, the Environment, Scotland, Wales, Northern Ireland and Employment and to Sir John Hunt.

Yours

John Biffen

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