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PRIME MINISTER

ENERGY PRICES: CBI REPORT

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1 I have now received copies of an interim report of the CBI's Industrial Energy Consumers' Group. I enclose copies of this report and of Sir Terence Beckett's covering letter and of my reply.

2 It is evident from Terence Beckett's letter that he intends to publish the report probably at the beginning of next week, although it could well leak in part or in whole over the weekend. I should mention that Norman Lamont has agreed to write an article explaining the Government's position on energy prices in the Sunday Telegraph this weekend.

3 The CBI report is disappointing. British industry generally undoubtedly faces serious problems at present. Some large energy intensive companies with a long term future have particular difficulties which their competitors in Europe and North America are not facing. I had hoped that the CBI, who can call on the resources of the whole of British industry, would provide me with up-to-date and detailed information on comparative international costs, so that we can see where the problems lie. Indeed I urged Terence Beckett to do so when he recently came to see me. In the event the CBI have produced a short interim report, based on a sample of only some 25 companies, which contains more assertions than facts. The Chemical Industries Association have produced superior data which my officials and the electricity supply industry are studying urgently.

4 I have therefore repeated my request to Terence Beckett to provide the detailed figures underlying the report so that we can get at the facts. While urging us to reduce public expenditure the CBI cannot really expect us to adopt policies, some of which could cost hundreds of millions of pounds to be found from taxpayers, on the basis of general and sometimes dubious assertions. While a full analysis of the CBI's paper and proposals must await their detailed information, I invite your attention to one or two points now.



First, heavy fuel oil prices in July 1980, which is the date used by the CBI, were depressed on the Continent. On the basis of unpublished EEC data, heavy fuel oil prices in France, Belgium and Luxembourg are now higher post tax than in the UK. Secondly, the chart on gas prices is misleading. It includes a random mixture of old, renewed and new contracts without distinction. It does not even include some very low prices in the UK. The German figure around 33p could suggest that German new/renewed rates are going above the BGC's renewal rate of around 30p a therm.

5 We cannot, however, wait for the CBI to complete their work. I am pressing ahead with the package of measures which with E's agreement on 5 October I have already announced and which have met with a positive response. It is particularly important to stimulate international action, notably now that there is a new Administration in the USA, and to maintain our pressure for increased efficiency in the nationalised industries.

6 I am sending copies of this minute and enclosures to the other members of E, Sir Robert Armstrong and Mr Ibbs.

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Secretary of State for Energy  
21 November 1980