



10 DOWNING STREET

From the Private Secretary

24 January 1984

Coal-firing Scheme

The Prime Minister has seen your Secretary of State's minute of 16 January reporting that both he and the Secretary of State for Energy believe that responsibility for the coal-firing scheme should be transferred to the Department of Energy. She has noted that the original justification for this scheme was, at a time of financial stringency, to help industry convert from oil to coal firing. It appears now to be assuming the nature of a separate measure for the coal industry. If such a measure were to be retained, it probably would make sense for responsibility to be transferred. But the case for extension has yet to be established and decisions yet to be taken. The Prime Minister believes that the scheme should be reviewed and decisions about responsibility for it taken subsequently.

I am copying this letter to Michael Reidy (Department of Energy), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy, Esq.,
Department of Trade and Industry.

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HL

fcc David Pascale

cc D/N
C80
CO.



10 DOWNING STREET

Prime Minister

The justification of the Coal firing scheme has imperceptibly changed. If it is to be a piece of support for Coal, then Ministerial responsibilities should rightly shift to Peter Walker

But do we want it to continue in its new role?
Wouldn't it make sense to review its rationale and future existence before transferring Ministerial responsibilities?

Agree?

BT 23/11

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MR TURNBULL

23 January 1984

RESPONSIBILITY FOR COAL FIRING SCHEME

The original purpose of this scheme was to assist industry in converting from oil to coal-fired boilers at a time when pressures on cash flow and profits were preventing economically viable schemes from being implemented. It was not intended, therefore, primarily to help NCB sales but to encourage industrial investment.

As the economic climate is improving, it should be possible to withdraw the scheme at the end of the year. Any scheme of this type needs to be temporary if it is to avoid market distortions.

We note, however, that the scheme is now justified for its contribution to coal industry finances. The extension was agreed on public expenditure arguments rather than on industrial policy objectives. The £25m is being met from the contingency reserve and not from Departmental budgets.

Although we appreciate the logic which has now led to the proposal to transfer the scheme from DTI to Energy, we favour retention in DTI. This will identify the scheme more closely with its original purpose and make withdrawal easier at the end of the year.

If the NCB wish to subsidise the price of coal, this should be considered in the context of marketing strategy and coal industry economics. It should not be confused with industry's investment decisions on coal-fired boilers.

DLP

DAVID PASCALL

If it is transferred to DoE - we shall never get rid of it.
I should prefer to leave it where it is
M

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PS/ Secretary of State for Trade and Industry

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1 February 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

COAL FIRING SCHEME

Thank you for your letter of 24 January suggesting a review of the coal firing scheme before decisions are taken on transferring responsibility for it. A full interdepartmental review of support for coal firing was conducted by officials in September and circulated by my Secretary of State to several of his colleagues (and to Sir Robert Armstrong) on 19 October last. I attach a copy of his letter and the review for your information. His colleagues indicated unanimous agreement that the Coal Firing Scheme should be extended for a year to 31 December 1984, for which the Chief Secretary agreed to find £25m from the Contingency Reserve. This decision was announced in reply to a written Parliamentary Question on 22 December last, a few days before the scheme was due to expire.

2 My Secretary of State considered that this extension of the scheme could not be justified on grounds of industrial policy alone and he was only able to agree to the extension on condition that this Department was relieved of the burden of providing the manpower to administer it. The Secretary of State for Energy accordingly accepted that responsibility for the Scheme should pass to his Department. My Secretary of State therefore hopes that the Prime Minister will now be able to authorise the transfer of responsibility. Such a transfer would not of course prejudice any question of whether the scheme should extend beyond 31 December 1984, up to which time we are publicly committed. As an administrative point, we would see advantage in resolving the point before the Estimates for 1984/85 are sent to the printers.

3 I am copying this letter (though not the enclosures) to Michael Reidy (Department of Energy), John Gieve (Chief Secretary's office) and Richard Hatfield (Cabinet Office).

Yours ever,
Andrew Lansley

ANDREW D LANSLEY
Private Secretary