



38

NBAM

WJR

BT 28/10

S/P

15/11

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

15 October 1984

Michael Reidy Esq  
Private Secretary to the  
Secretary of State for Energy  
Thames House South  
Millbank  
LONDON SW1

*Dear Michael*

**PSBR COSTS OF THE COAL STRIKE**

Thank you for your letter of 30 August.

As you say, the figures in your letter are somewhat different from those given in the House by the Chancellor on 31 July and 1 August. Officials in your department had, of course, agreed the figures the Chancellor then gave for the public expenditure costs.

On the public expenditure side, the difference is one of methodology. The previous figures took account only of those savings in the NCB's outgoings which were unlikely to be lost after the strike finished. Your new approach, on the other hand, does take credit for savings which are highly likely to be lost at the end of the strike. For example, on holiday pay the NCB has saved some money but expects to pay out most of this after the strike. The same applies to a substantial part of the savings you identify on the RMPS. I understand your officials are separately forecasting that the full provision made in Estimates for the RMPS will in the end be spent.

Turning to the PSBR, there is room for debate about where the line should be drawn but we are prepared to accept your case for including the additional Heavy Fuel Oil duty.

Both public expenditure methodologies are, of course, legitimate, but in looking at your new figures it is important to take account of the fact they include credit for savings which are not expected to be sustained. If they were not sustained, the figures for public expenditure costs to the end of July would be £324 million (in the range the Chancellor gave in the House) and for the PSBR would be £374 million.

SECRET



Looking to the future it is probably right to draw up the figures on both bases. It will be necessary to have a consistent public presentation and, as the figures given by the Chancellor are already in the public domain, the Chancellor suggests we stick to that basis in future.

The Chancellor also thinks it would be useful if officials could review the position monthly from now on.

I am sending copies of this letter to Andrew Turnbull (No 10) and Peter Gregson (Cabinet Office).

*Yours ever  
David*

D L C PERETZ  
Principal Private Secretary

MAT IND: Coal B13

11 5 OCT 1984

11 12 11 23 4  
11 12 11 23 4  
11 12 11 23 4  
11 12 11 23 4