

PA 69

MR. SCHOLAR

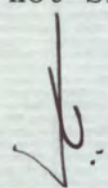
NOTE
Since what is happening is consistent with the PM's view so c.c. Mr. Hoskyns Mr. Duguid
for I wasn't going to intervene - get. M.S. Hold

EXTRA OIL BURN

The Chancellor has now replied to Mr. Lawson's letter suggesting that the rate of additional oil burn be halved if the CEEB decide to fund it through borrowing; and the Chancellor suggests that the rate of additional oil burn be halved anyway, i.e. even if we have to fund it by grant. The present rate of oil burn, pursuant to the Prime Minister's instructions (your letter of 19 February), is 500,000 tce above normal; the effect of accepting the Chancellor's proposal would be to reduce that to 250,000 tce. Everyone is still talking about the position up to 1 April only, i.e. about four weeks: the lower rate of oil burn would therefore mean the consumption of an extra 1m tonnes of coal, which would lower coal endurance by about half a week.

In an ideal world, no decision would be taken on this until the next report of MISC 57 is available. MISC 57's preliminary work indicates that we can still achieve maximum CEEB coal stocks before 1 November, even if there is a four-week all-out rail strike. So if there is no rail strike, the extra oil burn is not necessary in order to preserve our position next autumn.

I think therefore, and bearing in mind the considerable cost of additional oil burn, we could agree to the Chancellor's proposal, subject to immediate reversion to maximum oil burn in the event of a further rail strike; if time permits, I think you ought to ask the Chairman of MISC 57 to confirm that he is also satisfied that reducing the additional oil burn does not significantly harm endurance.



2 March 1982