



SECRETARY OF STATE FOR ENERGY
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Michael Scholar Esq
10 Downing Street
LONDON SW1

10 June 1982

Dear Michael,

NCB: POLICY LETTER TO THE NEW CHAIRMAN

Thank you for your letter of 4 June asking for further analysis of the NCB's long-run objectives, taking account of the Prime Minister's concern to reduce the monopoly power of the NUM.

My Secretary of State believes that four important points need to be borne in mind:

1. the policy letter to the new Chairman of the NCB, which he will have to show to his entire Board once it has been agreed, will to all intents and purposes be a public document. We certainly cannot count on anything else. This clearly limits what it can prudently contain;
2. an explicit policy of 'retrenchment', irrespective of economic performance, was considered by last year's CPRS/No 10 Policy Unit study of the NCB/NUM problem and rejected, as likely to be wholly counterproductive and guaranteed only to maximise industrial trouble. Mr Lawson agrees that this head-on approach would be unwise. Moreover, even if a Chairman could be found who would be prepared to carry out such a remit, it is most unlikely that he would wish to see it spelled out in his policy letter, for the reason given in point 1 above;
3. the policy letter is concerned with the specific objectives of the NCB, not with the wider objectives of the Government. This distinction is crucial, since the principal means of reducing the monopoly power of the NUM are not matters for the NCB at all. They comprise such steps as:
 - (i) an expanding nuclear power programme (in train, but much clearly depends on the Sizewell inquiry);
 - (ii) an expansion of private electricity generation (the Bill proposed for the next Session is directed towards this end);



- (iii) increasing power station coal stocks (well in hand, although further decisions may need to be taken in due course);
- (iv) restoring the CEGB's freedom to import coal (which is implicit in para 2 of the draft policy letter annexed to E(NI) (82) 16);
- (v) constructing slurry pipelines from the ports to the power stations, with a corresponding improvement of import facilities (under consideration);
4. the policy letter as drafted does not commit the Government to any given level of investment, let alone any increase in capacity (see para 5).

I am copying this letter to the recipients of yours.

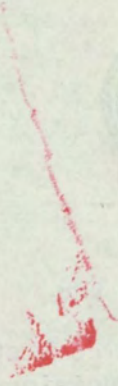
Yours ever,

J D West

J D WEST
Private Secretary

conqueror

10 JUN 1982



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