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SUBJECT

10 DOWNING STREET

From the Private Secretary

14 June 1982

Dear Ian,

NATIONAL COAL BOARD: POLICY LETTER TO THE NEW CHAIRMAN

Thank you for your letter of 10 June about the policy letter for the new Chairman of the NCB.

The Prime Minister discussed this with your Secretary of State and the Chief Secretary this afternoon. The Prime Minister said that she hoped that your Secretary of State would add to the points which he would raise orally with the incoming Chairman the Government's wish to see some long term reduction of the dependence of electricity generation on domestically-mined coal to improve competition within the energy market. Your Secretary of State said that he would ensure that Mr. Siddall would be in no doubt about the Government's wishes in this matter. The Prime Minister went on to say that she would like to see some changes to paragraph 5 of the draft policy letter. She suggested a redraft on the following lines:

"Capital Investment

The Board's capital investment is subject to special statutory approval, and the Government will continue to examine closely the proposals embodied in the Board's programme. The Government sees no case for an increase in the Board's deep-mined capacity (net of closures) before the industry has returned to break even and ended its dependence on grants. Thereafter the Government's examination of any new capital investment proposals will be made in the light of the Board's Corporate Plan, progress in reducing costs and increasing efficiency, and the costs and availability of energy from other sources, including nuclear generation and imported coal."

Your Secretary of State undertook to include what he could of these points. He explained to the Prime Minister the need to proceed rapidly with the announcement of Mr. Siddall's appointment, and the Prime Minister agreed that, once Mr. Siddall had accepted the policy letter, amended as above (and also to take account of one or two points which the Treasury were urgently putting to your Secretary of State), his appointment could be formally announced.

/ I am sending

SECRET AND PERSONAL

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I am sending copies of this letter to the Private Secretaries to members of E(NI), and to Adam Peat (Welsh Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

*Yours sincerely,*

*Michael Scholar*

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Julian West, Esq. ,  
Department of Energy