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SECRETARY OF STATE FOR
TRADE AND INDUSTRY
SOUTH
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01 211 6402

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

23rd February 1983

Dear Chief Secretary

Thank you for your letter of 14 February in which you agreed to my proposal to continue the restrictions on the CEGB's coal imports for the first six months of 1983/84.

I can assure you that I do not need homilies about the undesirability of artificial market distortions in general or import controls in particular. But we have to keep our eye on the ball. In particular, we must not allow any misjudgement about coal imports to prejudice the strategy for pit closures that we agreed at the Prime Minister's meeting on 27 January. That strategy could well take us to the brink of a national strike: we do not wish to step over it. The benefits from achieving the maximum feasible rate of closures far outweigh the costs of curtailing CEGB coal imports. Moreover, the scale of closures necessary to return the NCB to commercial viability is such that we may well be approaching the brink for a number of years to come. I should add that the question on imports is not merely whether it creates sympathy for the miners, but whether it stiffens their resistance to closures.

Against this background I would be willing to allow the CEGB to bring in up to 0.75 m tonnes in the first half of 1983/84 and to see whether we can go to 1 m tonnes, or even a little more, for the whole year.

I myself believe that it would make good sense to reschedule the arrivals from Australia, to avoid any further significant increase in the CEGB's stocks now held on the Continent. I see the argument for selling some of these stocks to generate cash to offset the cost of rescheduling, as you suggest. I can certainly agree, if you think it would be helpful, for my officials to involve yours in settling figures for the costs of the various options, though at the end of the day I believe that we have to consider the question of CEGB coal imports strictly in the context of the programme of pit closures, where our main economic objective lies.

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We have now lost the immediate opportunity for the CEGB to renegotiate contracts with its main Australian supplier though I have asked the Board to keep their options open to the maximum extent possible. I suggest our officials agree quickly a note setting out the possible courses of action, including the public expenditure implications. The NCB's EFL will certainly need to be adjusted to reflect the decisions we will reach.

I am copying this letter to the Prime Minister, Willie Whitelaw, George Younger, Nicholas Edwards, Norman Tebbit, Sir Robert Armstrong and John Sparrow.

Yours sincerely
Nigel Lawson

PP NIGEL LAWSON
(Approved by the Secretary of State
and signed in his absence)

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