

MR SCHOLAR

17 March 1983

cc Mr Walters
 Mr Mount
 Mr Vereker

NATIONAL COAL BOARD OBJECTIVES

The draft objectives for the NCB which Mr Lawson has just circulated are not satisfactory as they stand. They are identical to those which were circulated on 30 June last year and do not therefore reflect the opportunity to propose more ambitious objectives which is provided by the appointment of Mr MacGregor, after the ballot's verdict against a national strike to resist pit closures.

The draft should at least incorporate two additional points:

- A
- 1) the long term profitability should be specified more precisely than it is at present, particularly in regard to the timescale within which the NCB should bring its capacity into line with profitable sales. This objective needs to reflect the NCB's Corporate Plan, still to be agreed with the NCB.
 - 2) there should be a reference to coal imports in the long term profitability objective, which might be rephrased to conclude:

B

"..... by securing those sales which are profitable on a continuing basis in competition with other fuels, and with coal imports on the assumption of an eventual lifting of restrictions on CEGB's imports."

I understand that the Chief Secretary is likely to comment on the draft objectives in support of the first point above. It is of course important that Mr MacGregor's agreement to NCB's objectives should be settled at the same time as his appointment. In view of the importance of this appointment, the Prime Minister may wish to either discuss the objectives with him herself, or to register her interest in hearing of his reactions to them.

NICHOLAS OWEN