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Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

**COAL INDUSTRY BILL**

I have seen a copy of Peter Walker's minute of 21 December, seeking agreement to the introduction of a Coal Bill in the 1984-85 Session. I have delayed responding in view of developments in the dispute.

2. Peter proposes the Bill should contain two separate elements. First, he suggests it should raise the existing financial limits, notably on the payment of deficit grant. I agree that it is necessary to have a Bill for this purpose. Officials can no doubt discuss appropriate new limits.

3. Second, Peter wants to extend the current financial regime of deficit grant, pit closure grant and RMPS by one year from March 1986 to March 1987. I feel a better course would be to increase the existing financial limits but to leave the present financial regime unchanged so that it would end in March 1986. This will inevitably mean further legislation in the 1985-86 Session but, if the strike ends fairly soon, this would be the legislation Peter is currently envisaging for the 1986-87 Session.

4. By contrast, an extension of the current financial regime to March 1987 would give the impression that we had no sense of urgency about sorting out the NCB's future after the strike. I can see it causing a good deal of hostility amongst our own backbenchers, some of whom were uneasy about additional deficit grant provided in the recent Winter Supplementary Estimate.

5. As regards timing, we will reach the statutory limit on deficit grant payments during 1984-85. Peter mentions relying on the authority of the Appropriation Act to make further payments but this Act will not be passed until July or August. More deficit grant cannot be paid in 1985-86 until either the Appropriation Bill or the Coal Bill receive Royal Assent. This means we would have to provide the NCB with more temporary borrowing in the early months of

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1985-86. I see no difficulty in doing so but the limits will, of course, need to be agreed with the Treasury in the usual way. I agree with Peter that it would be highly desirable to have Royal Assent for the Coal Bill before the Summer Recess.

6. I do not know what Peter has in mind about the timing of any announcement of a Bill. But we shall need to consider carefully what is said when the Main Estimates are presented on Budget Day (19 March) if they provide for more deficit grant.

7. I am copying this minute to Willie Whitelaw, John Biffen and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish.

N.L.

7 February 1985

NAT IND : Coal Pt 16

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