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Miss Margaret O'Mara
Private Secretary to
The Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 February 1985

Dear Margaret,

COAL INVESTMENT

You wrote on 8 February about what might now be said about the level of NCB investment.

The NCB will obviously have to develop a new corporate plan after the strike. Part of that must be a target date for break-even. It remains to be seen how far the consequences of the strike will impose a delay beyond 1987/88, which we have, rather schematically, continued to treat as break-even year for IFR purposes. Another part of the new plan will be a programme of investment reflecting the need to develop low cost output. It is bound to take some months for the NCB to develop such a plan after the strike and to discuss it with us. There will also have to be some relationship between that process and the discussions with the unions about a revised plan for the industry which could still form part of a return to work. So investment requirements will have to be looked at very much in the context of the new plan. But my Secretary of State has not so far seen evidence that such a new break-even plan would require investment at a lower annual rate than we have provided hitherto.

My Secretary of State's reference to investment in the debate on 4 February was a reference back to what the NUM knew was on offer when the strike began. In relation to the handling of the strike and achieving the large savings from bringing it to an early conclusion, this is hardly the time to damage our public credibility by putting a question mark over levels of investment already established in the public mind.

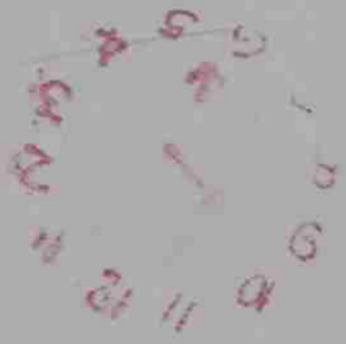
I am sending a copy of this letter to Andrew Turnbull.

*Yours ever
John*

J S NEILSON
Private Secretary

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