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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London SW1

21 January 1985

John Rees

PUBLIC EXPENDITURE WHITE PAPER

As you know, the Public Expenditure White Paper will be published on 22 January. Peter Rees will be holding a press conference that afternoon starting at 3.30 pm.

The figures in the White Paper for 1984-85 are drawn up on the assumption that the miners dispute would end at 31 December 1984. Peter is certain to be asked at the press conference about the impact of the continuing strike. I do not see any realistic prospect of avoiding giving a figure. If Peter tried to rely on a general statement about costs continuing to rise he would come under strong pressure to say by how much.

In these circumstances, the best approach seems to be to say that, while there are uncertainties, it looks as though the figure of £1½ billion, which I gave at the time of the Autumn Statement for a strike ending at Christmas, would rise to about £2¼ billion if the strike were to last to the end of the financial year. Focusing on the end of the financial year is attractive on two counts. First, it should allow us to avoid giving further estimates until the Budget (if the strike continues that long). Second, moving to the end of the financial year will be seen as a conventional assumption which does not imply any view about the likely course of the dispute itself.

The House will naturally want to have its attention drawn to these revised estimates. I therefore propose to arrange for a Written PQ to be tabled for Answer at 3.30 pm on Tuesday. I enclose the draft Question and Answer.

... I am copying to the Prime Minister.

NIGEL LAWSON

John Rees
Nigel Lawson

CONFIDENTIAL**DRAFT PARLIAMENTARY QUESTION AND ANSWER**

to ask.....for his latest estimate of the cost to public expenditure in 1984-85 of the coal strike if that strike were to last until 31 March 1985.

At the time of the Autumn Statement, my Rt Hon Friend indicated that if the strike ended at Christmas, it would add about £1½ billion to public expenditure in 1984-85. If the strike were to last until 31 March 1985, this figure would probably rise to around £2¼ billion. The outcome will depend on a number of uncertainties including the impact of the weather on the quantity of oil used to generate electricity and the price of that oil.

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