



CENTRAL ELECTRICITY GENERATING BOARD

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*From the Chairman
The Lord Marshall of Goring Kt, CBE, FRS*

30 July 1985

The Rt Hon Mrs Margaret Thatcher MP
The Prime Minister
10 Downing Street
London

STRICTLY PERSONAL

Dear Prime Minister,

During the course of our discussion yesterday I made a factual statement which you challenged. I told you that, as I understood it, the Government subsidy to the National Coal Board was not linked to the production of steam coal, and insofar as it was possible to disentangle various parts of the NCB business they were breaking even on their sales to us of steam coal. It follows that £44 per tonne should be the average price related to the cost of producing steam coal.

I have discreetly checked with the NCB again today and they confirm to me that their main loss making activities are in coking coal, smokeless fuel and in exports. They again argue that their steam coal business is "roughly in balance". I am sure you will appreciate that this is not information I am giving you at firsthand but it is the best understanding I can get. Therefore, the scheme I put forward to you yesterday is, in my opinion, a sensible way to manage the steam coal/electricity business of the UK. It has very little to do with the overall subsidy to the National Coal Board. If you looked at the CEGB and the NCB as a single UK business it would be the obvious thing to do to create the market pressures internally that can only be set up externally by difficult institutional changes.

Yours sincerely

Marshall of Goring