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PRIME MINISTER

THIRD TRANCHE COAL

The way Mr Walker has gone about this subject is unsatisfactory. He has deliberately prepared a report and sent it to you without involving the Treasury. As a result there are disputes both about principles and figures. For example, Mr Walker describes NCB's marginal output as that coming from the best pits on grounds that this is the output which is currently being developed. The Chancellor argues that NCB's marginal output is from its highest cost pits - see his minute attached. There is no point in your calling a meeting before the Treasury and other departments have had a chance to argue out the issues more fully.

There is a note already in your box and attached is a note by the Policy Unit. Both argue strongly against this scheme.

Agree that before calling a meeting officials from all the interested departments plus the Policy Unit should have an opportunity to study it further?

AT

Yes not

Andrew Turnbull

1 August 1985