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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

23 December 1985

Dear Secretary of State

NATIONALISED INDUSTRY INVESTMENT APPROVALS

We can now give the nationalised industries formal approval for investment levels in each of the next three years.

I enclose a table setting out industries' planned level of fixed asset expenditure in the UK for the years 1986-87 to 1988-89. I should be grateful if you and other colleagues would now give your industries formal approval, as usual, to spend up to 100 per cent of the sums listed for 1986-87, 85 per cent for 1987-88 and 70 per cent for 1988-89. The attached table also shows the allocations calculated on this basis. All figures are consistent with the external financing limits which we agreed in this year's Investment and Financing Review.

The National Coal Board is, of course, excluded from the list as we have still to determine the forward investment programme. Assumptions made on privatisation are the same as those used in the recent IFR and being adopted for the Public Expenditure White Paper.

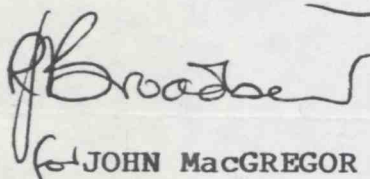
Officials will shortly circulate the detailed baseline figures for the next three years which are now held in the Treasury for individual industries. As last year, I should be grateful if you and other colleagues could ensure these figures are sent to the respective Chairmen and are fully assimilated into industries' future plans.

Current monitoring returns continue to show several industries planning to exceed their approved investment levels for 1985-86 without authorisation. It is important that this should not occur. Where it is not already being

discussed between us, I should be grateful if relevant sponsor Ministers would now let me know what action is being taken to eliminate such excesses, as requested in my recent Memorandum E (NI) (85) on the end-September nationalised industries' Quarterly Monitoring Report.

I am copying this letter and attachments to the Prime Minister, other members of E(NI), the Secretary of State for Wales, and to Sir Robert Armstrong.

Yours sincerely


for JOHN MacGREGOR

[Approved by the Chief Secretary]

NATIONALISED INDUSTRY FINANCING

Expenditure on Fixed Assets in the UK

Investment Approvals 1986-87 to 1988-89

	1986-87		1987-88		1988-89
	Approved expenditure	Estimated expenditure (a)	Approved expenditure (85% of (a))	Estimated expenditure (b)	Approved expenditure (70% of (b))
ELECTRICITY (ENGLAND AND WALES)	1180.0	1108	942	1238	867
NORTH OF SCOTLAND HYDRO-ELECTRIC BOARD	56.6	63	53	74	52
SOUTH OF SCOTLAND ELECTRICITY BOARD	377.3	144	122	88	61
BRITISH STEEL CORPORATION	205.0	138	117	150	105
POST OFFICE	98.0	88	75	68	48
NATIONAL GIROBANK	8.9	8	6	8	5
BRITISH AIRPORTS AUTHORITY	158.5				
BRITISH RAILWAYS BOARD	471.0	518	440	479	335
BRITISH WATERWAYS BOARD	5.5	8	6	6	4
NATIONAL BUS COMPANY	60.0				
SCOTTISH TRANSPORT GROUP	22.1	16	14	19	13
BRITISH SHIPBUILDERS (MERCHANT)	14.0	12	10	8	6
CIVIL AVIATION AUTHORITY	29.7	30	26	34	24
WATER (ENGLAND AND WALES)	942.0	988	840	1024	717
LONDON REGIONAL TRANSPORT	156.0	142	121	144	101

Notes

(1) 1987-88 and 1988-89 figures rounded to nearest £million

