

cc BB

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Chancellor of the Duchy of Lancaster

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23rd May 1986

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

// *Must Treasury come h.*

2 Peter

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEBG ON COAL SUPPLY

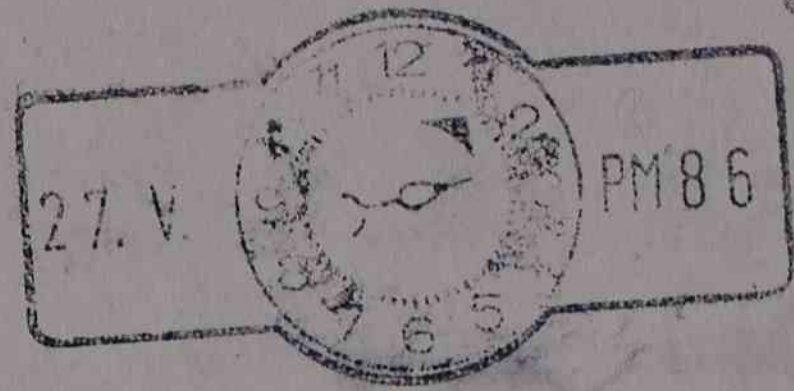
Thank you for sending me a copy of your letter of 20 May to John MacGregor. In the absence of any readily available means to achieve a deal more closely in line with the conclusions of E(A) Committee, I accept that we should endorse the deal in the terms which you propose. ^{at this}

Having done this, I hope that it will be possible to turn this to the maximum presentational advantage. I am conscious of the number of people, and pensioners in particular, who write to me complaining about the cost of electricity and gas. Whether justified or not, some regard it as tantamount to a direct imposition of Government. I think we should take this opportunity to highlight the way in which some of the basic costs for the poor, families and pensioners have in fact fallen; electricity and the reductions in the cost of second-class letter post will be two good instances. This may help in offsetting the complaints over the now small - in absolute terms - size of increases in pensions and benefits.

I am sending a copy of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

NORMAN TEBBIT

NAT IND COOL PT19



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SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NAM.

2 June 1986

Dear Chief Secretary,

PROVISIONAL AGREEMENT BETWEEN THE NCB AND CEGB ON COAL SUPPLY

Thank you for your letter of 28 May replying to mine of 20 May.

I am glad you agree that, subject to certain conditions, we should not wholly overturn the proposals now put to us by the industries. I will arrange an early discussion with the two industries with the intention that announcements should be made in the very near future.

I shall explain to the industries that our agreement is to the firm arrangements proposed for the first two years but add, as you suggest, that there can be no presumptions beyond that date.

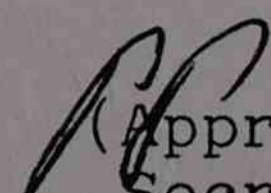
As regards NCB's 1986-87 EFL, I have already proposed that this should be confirmed at £730m. I shall of course emphasise to them the necessity of living within that figure.

For the later years, it is my intention, during the IFR process, to press hard on the NCB to deliver the maximum savings and this will include a rigorous examination of their capital expenditure intentions.

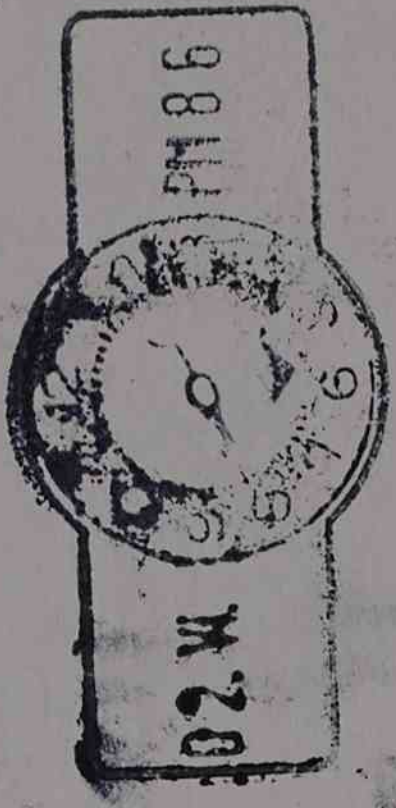
I am copying this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours sincerely,

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 PETER WALKER
(Approved by the
Secretary of State and
signed in his absence)

NAT, IND: Coal: Part 19





10 DOWNING STREET

DRN,

Re. your note on CDL to
SS/Energy 23.5.86 (at flap):-

HMT say CST dealing -
he is content with this and
with SS/Energy's note to him
of 2.6.86, He will therefore
not be commenting.

Content?

Yes

Annals.

G:U
6/6



10 DOWNING STREET

Prime Minister

The Chief Secretary and
Mr Tebbit are willing to go
along with the proposed
deal between the NCB
and the C.F.G.B. The Policy
Unit are also content.

Agree not to intervene?

Yes
no

DW
29/5.