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CONFIDENTIAL

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

Prime Minister 2

DRS 10/6.

9 June 1986

Dear Peter,

NCB (ENTERPRISE) LTD

FILE WITH ON

Thank you for your letter of 30 May to Nigel Lawson.

Like Norman Tebbit, I agree that it is vital to demonstrate willingness to support British Coal's efforts to improve employment prospects in declining coalfields. Investing in regenerating the local economies is a positive way of doing this. I therefore agree to your proposal to double the limit on NCB's lending to NCB(E). I suggest officials can determine the timing of release of money within this new ceiling.

Our commitment to NCB(E) should not, however, preclude assessment of the cost-effectiveness of NCB(E)'s strategy. As you will be aware from Peter Rees' letter of 18 April 1985 to Tom King, we are establishing disciplines throughout the public sector to assess the effectiveness of employment creating measures. You may recall that Peter reminded you of this when he wrote on 27 July 1985 authorising a £10 million increase in the limit on NCB's lending to NCB(E).

This approach should in no way detract from NCB(E)'s lending programme. There will obviously be a learning curve as the company discovers how best to target the distribution of its finance. But it is important to establish that its lending criteria are in practice operated in a cost-effective way. As my officials have indicated to yours, the methods chosen for checking and monitoring are less important than the principle of assuming that NCB(E)

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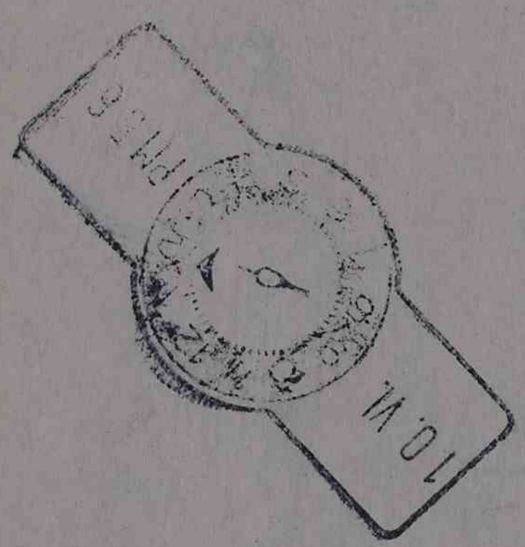
delivered value for money. The techniques developed by David Young's officials for appraising costs per job of employment creation measures provide a basic methodology for evaluation. I hope therefore that you will foster some kind of study of NCB(E)'s cost effectiveness in job creation.

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

Yours ever,

JOHN MacGREGOR



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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
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

NBPA.

17 June 1986

NCB (ENTERPRISE) LTD

FILE WITH DN

Thank you for your letter of 9 June.

I am delighted that you share my conviction that we must be seen to be supporting British Coal's continuing efforts to provide alternative employment in the mining areas. I propose to announce the increase of funds to the company at a suitable occasion shortly when I shall also take the opportunity to announce its change of name, probably to British Coal (Enterprise) Ltd.

I have, of course, reminded Merrik Spanton that there will be no change in the procedure for the release of money within the new ceiling of £40 million.

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

PETER WALKER

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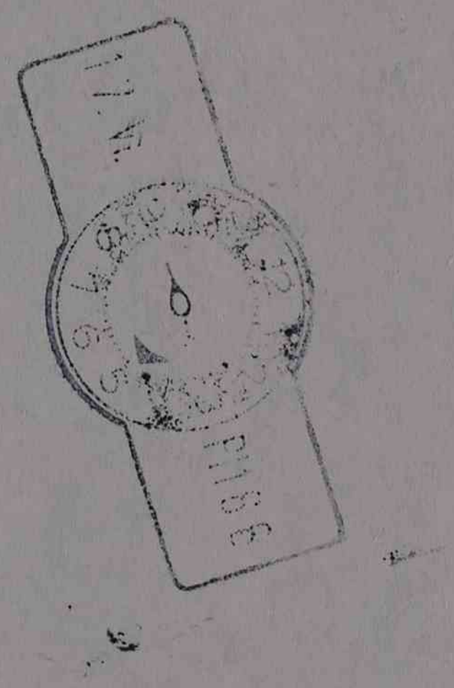

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Oddi wrth Ysgrifennydd Gwladol Cymru

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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

5 June 1986

Prime Minister 2

A fair point.

6/6.

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Dear Peter

Thank you for copying to me your letter of 30 May to Nigel Lawson.

The direct impact of the envisaged British Coal/CEGB deal on prices will probably not be very great in South Wales. I understand however that the consequential search for operating savings throughout the coal industry puts in jeopardy one of our coking plants and two associated coking coal mines. In all nearly 2000 jobs in the industry in South Wales are at serious risk over the coming few months.

Against this background I warmly welcome your proposal to raise the financing limit of NCB (Enterprise) Limited by £20 million. This is, as you say, the most direct response we can make to the already severe and now mounting employment problems of the mining communities - whose remoteness often makes for great difficulty in attracting new industry from elsewhere notwithstanding the range of regional incentives on offer.

I do, however, urge caution in regard to our public references to the employment created by NCB (Enterprise) Limited. We should avoid being seen to endorse announcements that specify the numbers of jobs created; at best these will take time to materialise and in the nature of things some announced projects will fall by the wayside. Whilst fully taking the point made in Norman Tebbit's letter of 4 June that we must not cast doubts publicly about the achievments of NCB (Enterprise) Limited and suchlike ventures we do also need to avoid giving specific hostages to fortune.

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

Yours ever

Nick

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy

COPY NO 2 of 22

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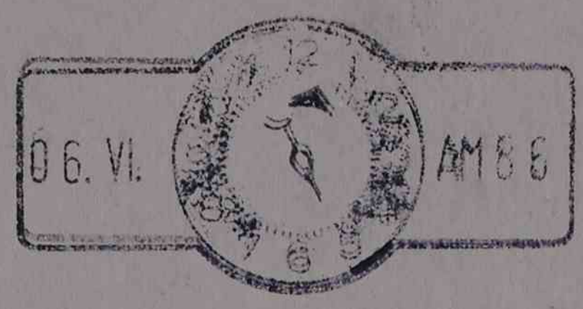

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

4th June 1986

The Rt Hon Peter Walker MBE MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1 4QJ

NBPT.

Dear Peter.

NCB (ENTERPRISE) LIMITED

Thank you for sending me a copy of your letter of 30 May to Nigel Lawson.

I very much agree with you that we should not now be seen to be any less than unstinting in our commitment to NCB (Enterprise) as a mechanism for alleviating the economic conditions resulting from major pit closures. The political effects of major job losses in areas already suffering from high unemployment are not confined to the areas themselves. It appeals most vividly to the public conscience for help. We need to work hard to show that in time, even in these depressed areas, private enterprise can bring new industry and jobs. But there is a major transitional problem. We are therefore committed to the success of NCB (Enterprise) and its steel and, now, shipbuilding counterparts. It would be most damaging to cast doubts publicly about their effectiveness. I therefore support your proposal to make an early announcement of the availability of new funds.

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

Yours ever
Norman

NORMAN TEBBIT

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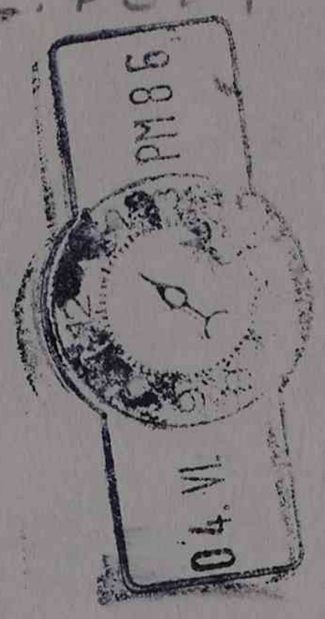

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NBPT would we have the Treasury's reply.

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

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COPY NO 2 OF 20

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

30 May 1986

Dear Nigel ATTACHED

As I informed Cabinet last Thursday it is likely that job losses in the coal industry will be worse that we initially anticipated due to the adverse impact of the lower oil price. Last week saw announcements of about 15,000 further job losses in the public sector in some of the most hard hit areas of the country. I am afraid that over the next two years the Coal Board will be adding to those job losses and areas like Scotland and the North East will be very hard hit. These areas are the areas that will also be badly affected by any slowing down of the investment programme in the North Sea.

The only compensation we have is the very real success of NCB (Enterprise) Limited. We have, as you know, so far allocated to them £20 million. They have fully committed £10 million of this and are involved in schemes which will involve the further investment of £21 million. They have so far created 6,500 job opportunities and have in prospect investments that involve a further 5,800 job opportunities. It is therefore vital that we make it clear that we intend to raise the overall limit so that the existing schemes under consideration can go ahead and further schemes can be considered. This would mean raising the overall limit by a further £20 million.

The NCB's provisional 1986/87 EFL of £730 million already allows for the expenditure of £20 million through NCB (Enterprise). Thus increasing the funding limit will not in itself increase public expenditure.

I gather from my officials that there has been some talk by your officials that before any further money is advanced they wish outside consultants to examine the success of what has taken place. Whilst I am perfectly happy for outside consultants to examine the position when the original investments have had some time to settle I do think it would be totally wrong for the Government to be seen to be other than enthusiastic about the success of the Enterprise company. The sums involved are minute compared with the total financial change we are bringing about in the coal industry. The politics of being other than enthusiastic would be disastrous. I am confronted with delegation after delegation of Labour MPs, leading local authorities and others who protest at the increase in job losses in areas where there is already high unemployment and

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the only policy we have to assist in this is the Enterprise company.

Added to which, so far NCB(E) has managed to obtain £6 of further investment in the projects concerned for every £1 that it has put in itself. If this continues, the £40 million expended will result in £280 million of investment in new commercial activities in areas of high unemployment.

I would like to make an early announcement about the availability of further funds when I open a new structural building business financed by the Enterprise company.

I am copying this letter to the Prime Minister, Members of EA and Sir Robert Armstrong.

PETER WALKER

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