

CONFIDENTIAL



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

01 211 6402

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

18 February 1988

Dear Peter,

Thank you for your further letter of 5 February about British Coal Enterprise (BCE).

I do of course recognise the success of many of the projects supported by BCE in generating new job opportunities in Wales. Before committing more resources to BCE I must be certain of the effectiveness of the money already spent and have an opportunity to consider whether that effectiveness can be improved in the future.

I also intend that the consultancy study I have asked British Coal to carry out should be completed in good time for my decision on further funding to be taken well before BCE's current money supply runs out.

I am copying this letter to the Prime Minister and Malcolm Rifkind.

Yours Ever,
Cecil

CECIL PARKINSON

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NAT IND: Coal PT21.





C. S. B. G.

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)
0538
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
0538
From The Secretary of State for Wales

NBPM
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The Rt Hon Peter Walker MBE MP

5 February 1988

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Thank you for your letter of 29 January.

Naturally I presume that there has been a constant study of the manner in which British Coal have carried out their activities with the British Coal Enterprise Company and if there are ways of improving how the money is spent and the manner in which it will encourage new enterprises and provide jobs that will be very welcome by both the Welsh Office and, I am sure, British Coal.

I do however repeat that on all the facts known in Wales and all the figures published nationally there is no doubt that a very substantial number of new enterprises have been created in coal mining areas bringing with them a very substantial number of jobs.

Against this general background of success and with further closures taking place over the next few months it must be very important to encourage BCE to continue its activities. Certainly if you look at the unemployment created in Wales by the closures of the last few years and the further addition of a couple of thousand unemployed that is going to take place within the next few weeks, the one positive position we can maintain is our enthusiastic support for the enterprise company.

I hope therefore that decisions which will ensure a positive future for BCE will be made very soon so that there will not be speculation that the company is going to grind to a halt in the coming months.

/ I am copying this letter to the Prime Minister and Malcolm Rifkind.

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON SW1

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THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

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Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

NBLM

REC

24/1

29th January 1988

Dear Peter,

as Rep

Thank you for your letter of 26 January about pit closures and British Coal Enterprise's (BCE) job creating activities in Wales.

I understand your wish in the circumstances of the forthcoming announcement of two colliery closures to draw attention to the efforts made by BCE to assist in the creation of job opportunities in mining areas. I also recognise the continuing need for job creation in mining areas.

BCE has been operating for three years and we can now see the point, in a few months time, when its current provision will be exhausted. I have been giving careful thought to the question of further funding and have spoken to British Coal about the success of the scheme. Questions have arisen on occasion about the way in which money has been spent. I have therefore asked British Coal to commission a consultancy study to consider whether the scheme has been cost-effective and whether there are new directions to which it might be steered in future. We clearly must ensure that new money will be wisely spent before we enter into commitments on further funding.

I am copying this letter to the Prime Minister and Malcolm Rifkind.

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[Handwritten signature]

CECIL PARKINSON

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GWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)
01-270 538 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

26 January 1988

Prime Minister

Recd 2/1

SECRET

26 Jan 88

[Signature]

I have just heard from the National Coal Board that they are going to announce two further major pit closures in the coming weeks. They are both in areas of exceedingly high unemployment and the announcement will bring considerable disappointment to the Welsh miners, who as you know are now moderately led and have substantially improved productivity. I recognise however the basis upon which the Coal Board are making the decision.

You will know that since the strike we have had the most dramatic drop in the numbers employed in the industry and in fact after these closures the South Wales Area will only be employing 7,000 people. It is in this context I really must ask you to see that the activities of British Coal Enterprise are seen to be vigorously continuing over the next couple of years.

They have made a good impact in Wales. It is the main argument that I am able to use with the many critics of the substantial unemployment that still exists in the Valleys and elsewhere. Any suggestion that British Coal Enterprise's activities were going to be curtailed in the coming period would be disastrous as far as the atmosphere in the Principality is concerned. I gather that in the coming months they will be running out of the £40m that I allocated to them whilst I was in your position and there will be some gap before the recycling process of getting back their money takes place. They have I think done a superb job. It has been very cost effective in terms of jobs and I think it is essential that we praise their success and they are seen to be vigorously continuing their activities.

/ I am copying this letter to the Prime Minister and Malcolm Rifkind.

[Signature]

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

MBPM

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Lx/L*

24 February 1988

Dear Cecil,

BRITISH COAL ENTERPRISE

5 flap

Thank you for your letter of 29 January about British Coal Enterprise. I have also seen Peter Walker's reply of 5 February.

I agree entirely of course that we must ensure that we are getting value for money wherever public expenditure is involved and it is right that BCE, like other non-departmental publicly-funded bodies, should be subject to cost/benefit analysis at regular intervals. I am however concerned that in references to this review there is no implication that BCE's future is under threat. This is particularly important for Scotland at a time when not only has Seafield Colliery closed but when a major question mark hangs over the future of the Scottish deep-mined industry generally with the South of Scotland Electricity Board's decision to seek competitive tenders for its coal supply after 31 March.

I have no doubt that BCE has had a very beneficial impact in those areas of Scotland which have been most hit by colliery closures since the strike, with some 4,750 jobs arising from its activities to date. Its existence has been a major plank in arguments I have deployed on the need to accept rationalisation of the Scottish coal industry and the need to look to the future not to the past; and there would be serious damage done to the credibility of the Government's support of that rationalisation if any action were taken which might be interpreted, however wrongly, as indicating a policy change over BCE. I feel sure that you would wish to recognise these sensitivities in the manner in which the review is handled.

A copy of this goes to the Prime Minister and to Peter Walker.

*Yours ever,
Malcolm Rifkind*

MALCOLM RIFKIND

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