

SECRET 9

PRIME MINISTER

Note

Spoke DE. and pointed
on this proposal.

1. H. J. Wright - to see

2. C. F. p.c.

REC 6.17/10

COAL PRIVATISATION

You should be aware that, following Cecil Parkinson's speech to the Party Conference (Flag A), Peter Walker instructed his office to ask Cecil's office "When did the Cabinet reach a decision to press ahead with coal privatisation".

Cecil Parkinson's office were unsure how to respond, and have consulted us. I in turn have now discussed this privately with Robin Butler.

Our conclusion is that we should advise Cecil Parkinson's office to say:

- i. There has been no Cabinet or Cabinet Committee discussion;
- ii. The material in Cecil's speech on coal privatisation was no more than an elaboration, suitable for the Party Conference context, of earlier statements of the aim in due course to proceed with privatisation of all the energy industries. They might refer, for example, to the oral answer given in the House on 9 May (Flag B);
- iii. They would not refer to any discussions with you.

The Party Conference speech was of course more explicit and precise than anything said previously. But if Mr Walker chose to pursue the point further and to challenge you directly about it, your response could be to reiterate the line set out above and to challenge him as to whether or not he supported the aim of coal privatisation.

Are you content for us to advise the Department of Energy to respond to Peter Walker's office in this way?

REC.
PAUL GRAY

14 October 1988

EAMACX

SECRET

Yes - but I think we
could add that there
is no question of it being
used in Parliament - not

competitive terms. We also believe that this objective is best met when those industries are in the private sector.

We reject the old socialist idea that only public money is clean money, that you have to be publicly-owned in order to provide a public service. The Labour Party proved again last week that behind their new image the old dogmas remain. Bryan Gould, and they don't come more trendier than that, said that the public utilities were too important to be left to the tender mercies of private profit. Under Labour's scheme for social ownership, of course, they'd be left to the tender mercies of the trade union bosses - to the tender mercies of Mr Ron Todd, just like the Labour Party itself. And by the way did you notice that Mr Kinnock only started deploring the block vote the day after Mr Todd used it to re-elect him. This Government, therefore, is committed to privatisation.

X In our manifesto we set out our aim of returning all the state industries to private ownership. I reconfirm to you today that in the British economy there will be no "no go" areas for free enterprise.

Some of you called this morning for coal to be added to our list, I understand your impatience and I can meet it today Mr Read with this historic pledge: Coal will be privatised.

By the next Parliament we shall be ready for this, the ultimate privatisation. Just think, Mr Chairman, miners, miners in Britain will be shareholders with a stake in their own industry.

Mr Scargill - if he's not in Cuba - will be sitting down to negotiate with the managers of private companies. From the days when the miners' leaders thought they owned the

government - to the day when every miner owns part of his own mine. That's the change, that's the British revolution.

Mr Chairman, let me sum up. Privatisation began in Britain, now its being copied all over the world.

But we're committed to privatisation not just because it works but because it's right. It gets government out of business and puts business back where it belongs - in the private sector.

Previous governments shared this conviction. What marks this Conservative government out is that it has the courage of its convictions. Others talk, we do.

In energy we are playing our part. We have privatised Britoil, Amersham, Enterprise Oil and British Gas. Now we are privatising the entire electricity supply industry.

Mr Chairman, Britain spends more on energy than it does on food. We spend some £37,000M a year. When we took office back in 1979, just 40 per cent of those energy needs were met by the private sector, 60 per cent by the state.

Today 71 per cent comes from the private sector, only 29 per cent is public. When we have successfully privatised electricity, 87 per cent will be private, 13 per cent public.

Most of that remaining 13 per cent will be coal, and I told you today that after the next election coal too will be back in the private sector.

There can be no better demonstration of our faith in Conservative principles, of our commitment to free enterprise and competition than entrusting the

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Mr. Parkinson: Yes. I want to make it clear that we wish to retain the fast breeder reactor technology for this country. The question is how we do that in the most economic way possible. As I said in answer to an earlier question, we are looking at all the aspects of the problem very carefully. I look forward to discussions with the hon. Gentleman when he comes to see me tomorrow.

Flue Gas Desulphurisation

13. Mr. Pike: To ask the Secretary of State for Energy whether he has recently discussed with the Central Electricity Generating Board its proposals for flue gas desulphurisation to reduce acid rain.

Mr. Michael Spicer: We are already fully aware that the CEGB plans to fit FGD equipment at a cost of £600 million to 6GW of existing plant as well as on all new coal-fired stations.

Mr. Pike: In view of the growing concern about acid rain both in this country and elsewhere in Europe, is the Minister satisfied that the CEGB is proceeding with the work as speedily as possible? Does the Minister not believe that it may be necessary to take action on some of the other power stations?

Mr. Spicer: The United Kingdom now has a 10-year sulphur dioxide emission control programme costing about £1 billion. We accept that that speed is appropriate for controlling emissions. It is not often realised that Britain has reduced its emissions by 40 per cent. since 1970, and by 25 per cent. by 1980. We have done a tremendous amount already to reduce emissions, and we intend to continue the programme.

Mr. Butler: My constituents will be very grateful for the £200 million investment in Fiddler's Ferry. But when my hon. Friend next meets the CEGB, will he suggest that some disruption may be caused to the local community in Cuernersley and ask the CEGB to minimise that disruption?

Mr. Spicer: I am sure that the CEGB will read carefully in *Hansard* what my hon. Friend said. The matter is clearly causing some local concern, and I am sure that the CEGB will be cognisant of that.

Mr. Patchett: With gas desulphurisation in mind, has the Minister discussed the future of the fluidised bed experiment at Grimethorpe, in my constituency? Will he make a statement?

Mr. Spicer: I am afraid that I cannot make a statement now, but the Grimethorpe plant is being considered very carefully.

Coal Industry

14. Mr. Greg Knight: To ask the Secretary of State for Energy, how much has been invested in the coal industry since April 1979.

Mr. Parkinson: Since 1979 the Government have provided British Coal with £9 billion of grants — together with substantial loan finance — of which £6 billion has been spent on capital investment.

Mr. Knight: Is not a healthy economy one of the prerequisites of any Government policy of substantial and continuing investment? Should not those who work in the coal mining industry be grateful to the Government not

only for supporting worthwhile investment, but for helping to create an excellent economic outlook for Britain? Does my right hon. Friend agree that the biggest threat to the industry and to jobs within it comes from those who instigate unnecessary strike action, such as Mr. Arthur Scargill, and those who support such action, such as the leader of the Opposition? [*Laughter.*]

Mr. Parkinson: Not yet, but we shall all be voting for the hon. Member for Kingston upon Hull, East (Mr. Prescott).

It is important that modern working practices go with capital investment, and that strikes and waste are eliminated. Provided that we have modern working practices to go with modern machinery, I see a very bright future for British Coal, but every strike and work to rule lessen the prospects for the industry.

Mr. Douglas: Will the Secretary of State concede that a substantial proportion of the investment in Scotland has been in the Longannet complex, and that that investment has been endangered by the cavalier attitude of the South of Scotland Electricity Board in importing foreign coal at dumped prices? I recognise that the Secretary of State has shown an interest in this matter, but what steps is he taking to protect the nation's investment in the Scottish coalfields — an investment that can get a return only if the coal is burnt in SSEB stations?

Mr. Parkinson: There are two things in our proposals which I believe will improve the prospects for the Scottish coal industry. First, we are strengthening the interconnector to England and Wales, which means that there is a big potential market for the electricity produced from Scottish coal. Secondly — and I am pleased to say that Scottish miners have shown great good sense about this — we are encouraging the adoption of modern working practices.

Although the investment has been made, Scottish coal is still relatively expensive. Therefore, we have to find ways of reducing the costs and opening up for Scotland the prospects of a good market. We are also encouraging the two parties to get together. I believe that the Government are doing what they can to ensure a good future for Scottish coal.

Mr. Gow: Despite my right hon. Friend's legitimate pride in the amount invested in the British coal industry during the past nine years, will he confirm that the whole of that investment could have been made by the private sector? What greater justification is there for retaining the ownership of British Coal in the public sector compared with the Government's conviction that the oil industry should be in the private sector?

Mr. Parkinson: We have no plans at present, but it is our ambition that the whole of the energy industries should be returned to the private sector. However, there is a limit to what we can do at any given time. I believe that privatising the electricity supply industry is a big enough job for us at present. I assure my hon. Friend that we have ambitions for the rest of the industries for which we are responsible.

Magnox Reactors

15. Mr. John Garrett: To ask the Secretary of State for Energy what representations he has received about the