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10 DOWNING STREET

26 November 1984

From the Private Secretary

NCB (ENTERPRISE) LTD

The Prime Minister has seen your Secretary of State's letter of 22 November to the Chancellor of the Exchequer. She believes that the best way in which NCB(E) can be given a boost is to establish its presence by appointing a Chief Executive and some go-ahead Board members, plus the completion of a number of loans. Without this, raising its capital is bound to look hollow.

She believes, therefore, that the best course is to announce that the capital is being doubled to £10 million and that this can be increased still further (there could be an understanding that this meant up to £20 million) as and when NCB(E)'s operations justified it.

I am copying this letter to Private Secretaries to members of E(A) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Michael Reidy Esq
Department of Energy

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From the Private Secretary

Prime Minister ①

Since NCB(E) has, to my knowledge, made one loan in six months, what it needs is presence rather than more money. Regrettably NCB are unlikely to be able to announce a Chief Executive and a sheet of new loans before Wednesday, an increase in capital is all that is left.

An alternative would be to announce doubling of resources to £10 million, with indication that this figure could be increased as NCB(E) gets established.

Agree

Yes

- (i) an exhortation to increase NCB(E) presence
- (ii) Mr Walker's proposal or

£10m - (iii) the smaller increase suggested above?
- up to £20m - if needed not

AT 23/11

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CCNO

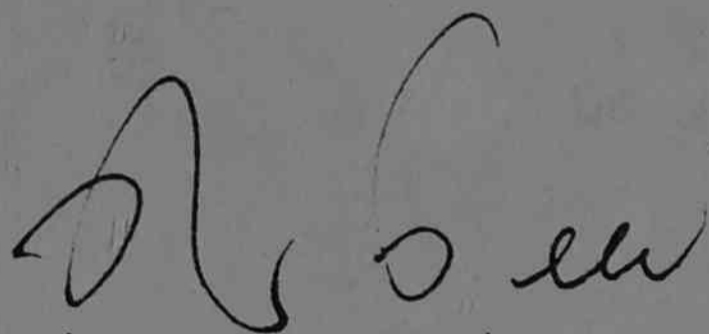
NBPM

AT 6/12

01 211 6402

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

6 December 1984



NCB (ENTERPRISE) LTD

You wrote to me on 26 November about NCB (Enterprise) Ltd. The Prime Minister had also commented (Andrew Turnbull's letter of 26 November).

As you know, I have now made an announcement agreeing, as suggested by the Prime Minister, that the National Coal Board should double the funds available to NCB (Enterprise) Ltd from £5m to £10m. I also made it clear that that figure would be further increased when the need arises.

I intend to proceed from now on under the terms of your letter of 26 November. I will authorise the advance of further tranches of £5m as and when justified by the net cash requirements of the company, up to the limit you suggest of £25m in new business. We will of course keep your officials informed.

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



PETER WALKER

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NBPM

AT 26/4

Treasury Chambers, Parliament Street, SW1P 3AG

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

26 November 1984

Dear Secretary of State

NCB (ENTERPRISE) LTD

Thank you for your letter of 22 November to Nigel Lawson.

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I accept that, despite the gathering return to work since we last looked at the question, there is still a case for announcing a boost to NCB (Enterprise) Ltd at the same time as the changes to regional policy. The question is, how much of a boost? As I discern it, your proposal for £20 million is based more on the need for an effective presentational impact than on a detailed assessment of viable lending prospects before the Company. That is not surprising, given that the Company was formed only recently and does not yet have a Chief Executive.

Nonetheless you will understand my concern over financial control. The funds involved will in effect come from the taxpayer. The Company have previously given assurances that it will only lend where there is a satisfactory commercial case. Nonetheless there is a risk that NCB (Enterprise) Ltd will come under pressure to spend the £25 million on whatever business opportunities are presented to it, whether viable or not.

Accordingly I should like to suggest an approach that reduces the Exchequer's financial exposure, while still allowing NCB to gain maximum public impact.

I would be prepared for NCB to announce next week that it will provide funds for NCB (Enterprise) Ltd to invest

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up to £25 million in new businessness. The actual loans from the Board to the Company would be advanced in tranches of £5 million to cover its net cash requirements only as they arise.

Such an approach takes advantage of the fact that with loan repayments, the net amount of loans outstanding should be less than the gross advances. This has been the case, for example, with BSC (Enterprises) Ltd. It also provides a safeguard for your Department to satisfy itself periodically that the Company is being operated on as business like a basis as its purpose allows. I should be grateful if Treasury officials could be kept in touch with developments. Formal approval under the Coal Acts will be needed for each tranche.

As you say, we can take account of NCB (Enterprises) Ltd net cash outflow when determining the future EFLs for the Board.

I am sending copies of this letter to members of E(A) and to Sir Robert Armstrong.

Yours Sincerely
Paul Rees

P PETER REES

Approved by the Chief Secretary
and signed in his absence



CC/50

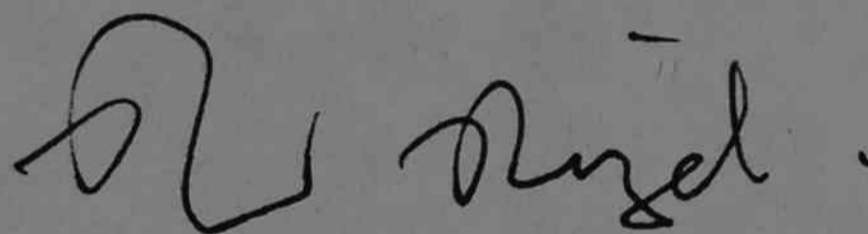
SECRETARY OF STATE FOR ENERGY
MILLBANK LONDON SW1P 4AG

01 211 6402

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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1A 0AA

22 November 1984




NCB (ENTERPRISE) LTD

- file with Sharragh Wallace

You will have seen Andrew Turnbull's letter of 8 October to Callum McCarthy regarding the Prime Minister's suggestion that in order to minimise the possible impact on the miners strike of the forthcoming announcement on regional policy, without delaying that announcement, we should announce a boost to NCB (Enterprise) Ltd.

I believe that the only boost which will carry any credence is an announcement of a substantial increase in the level of resources available to the new company. The NCB have advised that the company would welcome an increase in resources available to it from the present £5 million to £25 million, which they judge will open opportunities for investments which they would not otherwise be able to take. I therefore propose, with your approval, to give formal consent under section 2(5) of the Coal Industry Act 1975 for the NCB to lend up to £25 million to NCB (Enterprise) Ltd. This does not, of course, imply an immediate increase in public expenditure of £20 million. Indeed I would envisage no increase in expenditure in the current financial year. Beyond that, however, it will be necessary, if we are to persuade the Board themselves to finance the new company, to take into account the likely cash requirements of NCB (Enterprise) Ltd when setting the Board's EFL. I would like to give Ian MacGregor an assurance on this point.

Given the planned announcement of changes to regional policy on 28 November, and in order to ensure that the Board are in a position to make the announcement of the boost to NCB (Enterprise) Ltd at a time when this will be most publicly opportune, I should welcome your agreement by 26 November. Copies of this letter go to members of E(A) and to Sir Robert Armstrong.


PETER WALKER

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PT-7 Review

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10 DOWNING STREET

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MAFF	HMT
DM	Mr Owen ✓
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From the Private Secretary

8 October 1984

Regional Policy

The Prime Minister has seen the Secretary of State for Energy's letter of 5 October. While recognising the implications of the changes in regional support for coal mining areas, the Prime Minister thinks that, rather than delay the announcement on regional policy, it would be better to announce a boost to NCB (Enterprise) to coincide with it.

I am copying this letter to the Private Secretaries to members of E(A), and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy Esq
Department of Trade and Industry.

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SECRETARY OF STATE FOR ENERGY
 THAMES HOUSE SOUTH
 MILLBANK LONDON SW1H 9QJ

01 211 6402

Prime Minister ⁽²⁾ CC/NO

Rather than delay regional policy
 announcement it would be
 better to announce a boost
 to NCB (Enterprise) to coincide
 with it.

Agree?

HT 5/10

The Rt Hon Norman Tebbit MP
 Secretary of State for Trade & Industry
 1 Victoria Street
 LONDON
 SW1H 0ET

5 October 1984

REGIONAL POLICY

Following the discussion of your proposals for a new structure for regional industrial incentives at E(A) on 3 October, I thought that I should write clarifying my concern over the possible impact on the miners strike.

I think we must recognise that within the regions the striking miners gain support and strength from a widely held feeling that the Government is not fully committed to maintaining full employment in declining areas. This is exploited by those who argue that, whatever the rights and wrongs of proposals for individual colliery closures, resistance to any restructuring of the coal industry should be supported. I believe that we must therefore take seriously the risk that announcement of your proposals will be seized on and presented as further evidence of a lack of concern, thereby strengthening resolve to maintain the strike.

Clearly the risk is greatest where your proposals involve a specific downgrading of aid in coal mining areas. From the small scale map and limited detail provided to E(A) it is not possible to identify these areas with certainty, but on the basis of the old travel to work areas it seems likely that the downgrading of the Durham, Morpeth and Ashington, Dunfermline, Kirkcaldy, Llanelli, Newport and Pontypool and Cwmbran areas from Development Area to Intermediate Area could be particularly relevant. The old Durham travel to work area contained Bearpark colliery, which closed earlier this year, and the old Dunfermline travel to work area contained Bogside colliery, which had to be abandoned by the NCB earlier this year following flooding and a build-up of gas as a result of withdrawal of safety cover by the NUM. The last has been subject to particular political interest by a number of Scottish labour MPs. All of the others contain operational pits in difficult areas. It would be particularly unfortunate if your proposals were to have an adverse effect on the job creation efforts of the National Coal Board's newly created NCB (Enterprise) Ltd subsidiary.

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I believe that we should therefore consider whether announcement of the changes you propose should be deferred until the present strike is over. If this is not possible, I would hope that we can at least seek to limit the possible damage by ensuring that the announcement of the changes includes some specific recognition of the particular problems of colliery closure areas and an indication of flexibility to deal with these. I would also welcome urgent discussions between our officials in an attempt to identify and minimise the potentially most difficult aspects of the proposed changes.

I am sending copies of this to other members of E(A) and to Sir Robert Armstrong.

P. Walker

PETER WALKER

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