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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON
SW1E 6RB

NBPM.

14th August 1986

Dear Paul,

ASSISTANCE TO RTZ's CORNISH TIN MINES

I am writing to confirm the basis on which I agreed that the maximum call on your Department's PES provision in respect of the non-recourse Government loan to RTZ would be £7 million.

As far as the distribution of the remaining £8 million is concerned, I understand that in the light of the Prime Minister's summing up of the discussion which suggested that some contribution should be made by the Department of Employment, David Young is prepared to offer a PES transfer totalling £1.8 million. Though I would have much preferred to see only a third of the total come from outside existing PES provisions, I am reluctantly prepared to meet the remaining balance of £6.2 million as an agreed addition to your PES baseline. We agreed that this was an exceptional case and could not be cited as a precedent for future Section 8 cases.

We did not discuss the question of who should meet the costs of repaying the Government guaranteed loans in the event that the project failed and the mines closed. The total contingent liability here is £10 million and I understand that, depending on the closure date, this liability could crystalise in 1989-90. Clearly we would need to consider how such a liability could be financed if and when it materialised. However, given the prospective public expenditure position, I would expect you to make every attempt to find the money from within your existing PES provision.

On the phasing of these payments, I understand that the agreement with RTZ provides some flexibility over the financial years in which the payments will be made. This is something we will need to review nearer the time in the light of your department's own spending position and the prospects of public expenditure as a whole. Subject to this point, it is likely that the first payment of £5 million will be paid in 1987-88 and the second tranche of £10 million in 1988-89. On this basis, I propose that the Department of Employment should make a PES transfer of £0.9 million for each of those two years. There will be additions to your PES baseline of £2.0 million in 1987-88 and £4.2 million in 1988-89. All these adjustments will be made at the end of the Survey.

Finally, special arrangements in respect of the repayments will be needed to take account of the financing arrangements we have now agreed. Any repayments will, of course, accrue in the first instance to your votes. But I would expect a reduction in your PES baseline for the years in which repayment occurs proportionate to the non-DTI share of the costs of financing the non-recourse loan.

I am copying this letter to the Prime Minister, David Young and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

CWBB

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215) ....
(Switchboard) 01-215 7877

27 August 1986

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

Dear John,

ASSISTANCE TO RTZ'S CORNISH TIN MINES

Thank you for your letter of 14 August about the funding of the assistance to RTZ's tin mines.

I note that in addition to my Department's contribution of £7m from its PES provision, £1.8m will be provided by way of a PES transfer from the Department of Employment and £6.2m as an addition to my Department's PES baseline, to meet the unsecured non-recourse Government loan not exceeding £15m to RTZ.

Subject to later developments, which might require a different expenditure profile, I accept your proposal that the Department of Employment's PES transfer should be £0.9m for each of the years 1987/8 and 1988/89; together with additions to my PES baseline of £2m in 1987/88 and £4.2m in 1988/89. All these adjustments would be made during the course of the present Survey round.

Given that any repayments will accrue to my votes, I agree to reducing my PES baseline for the years in which repayment occurs pro rata in the non-DTI share of the costs of financing the non-recourse loan.

As regards the question of meeting the costs of a claim arising from the Government guaranteed loans, I will certainly try to find the funds by way of offsetting savings from my PES provision; equally, I understand that should circumstances make that impossible, you are not excluding the possibility that the funds might have to be met by a call on the Reserve.

I am copying this letter to the Prime Minister, David Young and to Sir Robert Armstrong.

Yours,

Paul

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PAUL CHANNON

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SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..................

Switchboard 01-213 3000 GTN Code 213

Facsimile 01-213 5465 Telex 915564

The Rt Hon John Macregor MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

MLG

Dear Chief

ASSISTANCE TO RTZ's CORNISH TIN MINES

I am content with the arrangements set out in your letter of 14 August to Paul Channon. For the record however, whilst I undertook to help on this occasion and accept that averting the redundancies will reduce the calls on my department's programmes, such as the Community Programme and the Enterprise Allowance Scheme, which would otherwise have occurred in W Cornwall, I must point out that these are cash limited national programmes and have to be managed as such. I would not wish my assistance on this occasion to be regarded in any way as establishing a precedent.

I am copying this letter to the Prime Minister, Paul Channon and Sir Robert Armstrong.

Yours,

David

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