

PRIME MINISTER

COAL INDUSTRY BILL

I wrote to the Lord President on 13 July, with a copy to the Chancellor, alerting him to the possible need for a Coal Industry Bill in the 1984/85 Session. It is now clear that the Bill will be needed in this Session and I am writing to you to seek policy approval.

In July we envisaged a limited measure, simply increasing provision for Deficit Grant payments. However, as the Lord President said in his reply of 30 July when approving a contingent place for the Bill in the 1984/85 Session, it would be desirable for the Bill to make at least limited forward provision for the needs of the NCB. It will be some time after the strike before the planning necessary to establish more radical, longer term options for the coal industry will be complete. I therefore propose that, as an interim measure, we use this Bill to extend the facility to pay Deficit Grants, Pit Closure Grants and RMPS by a year from March 1986 to March 1987, thus avoiding the need for any coal legislation in the 1985/86 Session. By the 1986/87 Session we should be much clearer where we want to go.

The amount by which the financial ceilings for these various provisions will have to be raised is inevitably uncertain at the moment. I will need to seek Ian MacGregor's advice nearer the time of introduction and settle the details with the Chancellor. The figure for Deficit Grant is likely to be substantial, primarily because of delay to closures this year; a more modest increase should see us through on RMPS and the existing provision may well suffice on Pit Closure Grants. Inevitably the Bill, though short and very much along the lines of the 1983 Act, will prove contentious, given the sums of money involved. I would propose to include staged approval of the Deficit Grant provision through one or more Orders laid before the House, as in the 1983 Act.



Both the Chancellor and the Lord President favoured introduction as late as possible in the Session. Firm decisions on timing are, of course, difficult at present. To meet the NCB's financing needs, the fresh authority should be in place as early as possible in the 1985/86 financial year. But my understanding is that, provided Second Reading takes place by then, we could use the authority of the Appropriations Act to make payments in the early part of 1985/86 if, as now seems inevitable, the existing ceiling on Deficit Grant payments has been reached during the present financial year. It would be highly desirable, however, to have Royal Assent before the Summer Recess.

I would accordingly be grateful if you would give policy approval to the Bill I propose. I am copying this letter to the Lord President, the Chancellor and Sir Robert Armstrong. I am also sending a copy to the Leader of the House and would be grateful if he would indicate, subject to your policy approval, consent for drafting to go ahead. As the proposed Bill would be very similar to the 1983 Act, the task of drafting should straightforward.

SECRETARY OF STATE FOR ENERGY  
21 December 1984

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