

CONFIDENTIAL

cc: Mr. Vile

MR. LANKESTER

Prime Minister

Mr. Howell's proposal is pure cosmetics since he isn't offering any extra money. Shall I write as suggested? 12/14/79

Coking Coal

Play A

In his minute to the Chief Secretary of 13 December (which we have only just seen) the Secretary of State for Energy proposes that, at his meeting with Sir Derek Ezra and leaders of the mining unions on 18 December, he should agree that up to £34m. could be used to provide a coking coal production subsidy. The intention is that any such subsidy would be offset by a reduction in deficit grant.

We have two reservations about this proposal

(i) Since no new money is on offer, we do not see how earmarking £34m. as a subsidy will achieve anything more than could be achieved by the Board's deciding for itself that sales should be made at the world price.

(ii) It would appear to involve the Government in a pricing decision, against the normal run of nationalised industry policy.

We do not suggest that the Prime Minister should stand in the way if Mr. Howell's judgement is that the proposal will help to defuse an explosive situation. But it may just be worth asking Mr. Howell to consider whether this will not be seen as a transparent device. I attach a draft accordingly.

We cannot intervene. The NCIB are best to do it if in their judgement it is advisable. If we tell them what the requests are there will be no call to do it.

The Treasury have now written with a similar point. But still worth writing. I think.

G.S. DOWNEY (CPAS)
14 December 1979

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