

May 79

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PRIME MINISTER

Nationalised Industries Investment and Financing Review:
1981-82 to 1983-84
(C(79) 37)

BACKGROUND

This paper is really a companion-piece to the Chancellor's main 'Public Expenditure' paper. The reductions in nationalised industry borrowing forecasts in this paper have helped the Chancellor's overall strategy. At the very least it is important to make sure that they do not come unstuck at this or subsequent Cabinet meetings. But given the sheer size of nationalised industry operations you may want to urge the responsible Ministers to try and do even better especially on the expenditure side. Is Mr. Howell for example convinced that the electricity investment programme is soundly based given the overhang of a 40 per cent plant margin?

2. A main uncertainty in the forecasts concerns gas and electricity prices: the Chancellor's proposals assume that Ministers will sanction quite large increases in both, to move towards economic pricing for all fuels. Once again, Mr. Howell is bringing proposals to E fairly soon (and you might urge him to make sure that the paper comes forward no later than mid-October, because of its relevance to the cash limits decision).

3. Another relates to coal where Mr. Howell is due to bring a paper to E Committee either on 20th or 27th September. Given the difficult state of the NCB's finances and the importance of the NUM's forthcoming pay claim it would be worth asking Mr. Howell to ensure that his recommendations come forward in good time. Papers from his Department tend to slip and a public push by you could help to ensure that colleagues are not asked for decisions in undue haste.

4. The figures for steel, shipbuilding and Post Office are reasonably firm. There may be minor disputes over Railways and Airways and Airports. In all these cases, the Chancellor's tactics will be to try and secure agreement at this meeting to the general proposition, and have any detailed points

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remitted for the bilateral discussions with the Chief Secretary. The results can then be ratified at Cabinet on 18th or 25th October.

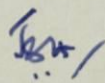
HANDLING

5. You could then ask the Chancellor to introduce his paper briefly. The main nationalised industry Ministers (Energy, Industry, Transport and Trade) should then be given a chance to speak: Scotland may also want to join in. But you might avoid any detailed discussion of particular points, merely asking the Ministers concerned to take the matters up in their bilateral discussions with the Chief Secretary.

CONCLUSIONS

6. You need two conclusions from this paper:-

- (i) To endorse the Chancellor's general approach.
- (ii) To invite the Ministers concerned to pursue detailed points bilaterally with the Chief Secretary. You may also need to record a separate conclusion.
- (iii) To invite the Secretary of State for Energy to bring forward in good time this month papers on coal and on gas and electricity pricing, to be taken into account in the resumed Cabinet discussion on October and in the discussion of cash limits.


(John Hunt)

12th September 1979

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