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Prime Minister 2

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Mr. Hon Leon Brittan C MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

4 August 1982

Dear Chief Secretary,

CEGB COAL IMPORTS

In your letter of 6 May you agreed that the CEGB could be compensated by up to £30m, by means of a discount on its payments to the NCB, for limiting its imports to the agreed figure of 0.75 mt in 1982/83. My officials have since discussed with the Generating Board the latest estimated cost of doing this, which turns out to be £35m, and have let your officials have the details. It does not seem possible to fault this figure.

My officials have examined carefully means of minimising this compensation. In principle, one way might be to sell off the CEGB's Australian coal before it is put into stock on the Continent. But in the present depressed market, the losses would amount to the cost of storage for 1½-2 years. Therefore no savings in 1982/83 could be made in this way. Nevertheless, I will keep the question of selling under review with the CEGB in the light of market developments.

Of course, should circumstances later in the year point to increasing imports above the agreed level, there would be a corresponding reduction in the amount of compensation payable. But we cannot count our chickens before they are hatched.

I hope therefore you can agree to the revised figure of £35m for compensation to the CEGB, subject to any savings that may be possible.

I am copying this letter to the Prime Minister, Willie Whitelaw, Patrick Jenkin, John Nott, David Howell, Norman Tebbit, George Younger, Sir Robert Armstrong and John Sparrow.

Nigel Lawson

NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence)

24 AUG 1982

