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SECRET AND PERSONAL

David Peretz Esq
Private Secretary to the
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

26 October 1984

Dear David

As you will know from messages left with your office last evening and again this morning, my Secretary of State is most concerned about the reply to Mr Michael Meacher's Parliamentary Question about the cost of the miners strike. I believe this is due to be answered this morning.

As my Secretary of State understands it Treasury officials have recommended the Chancellor to give public expenditure and PSBR figures for end September and end October as follows:-

	<u>end September</u>	<u>end October</u>
Public Expenditure	<u>£700m</u>	<u>£900m</u>
PSBR	<u>£800m</u>	<u>£1000m</u>

and to say that these figure are increasing by £50 million per week.

My Secretary of State considers these figures to represent a seriously misleading over-estimate.

If any figures have to be given, he would much prefer to take the opportunity to switch to this Department's basis of calculation - of which you will be aware since Treasury has previously accepted that the methodology is valid - which produces substantially lower figures. He also believes that there is no case for giving any figures later than end August. A draft answer on these lines is attached.

I would be grateful if you would draw the Chancellor's attention to these views. My Secretary of State will be available on the telephone later this morning if the Chancellor wishes to speak to him.

I am copying this letter to Robin Butler.

Your sincerely
M F Reidy

M F REIDY
Private Secretary

As I informed the House on 31 July and 1 August, my estimate was that the strike had then added about £300/350m to public expenditure this year, or about £400m to the PSBR taking account of loss of miners' income tax and national insurance contributions. My estimate for the public expenditure cost to 31 August is about £350-£400m and for the PSBR cost about £400-£450m.