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10 DOWNING STREET

From the Private Secretary

MR. IBBS
CPRS

VALE OF BELVOIR INQUIRY

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We have arranged the meeting of Ministers to discuss the Vale of Belvoir Inquiry for 30 July. I have, however, shown the Prime Minister your minute of 1 July; and you may like to be aware of her comments. These are as follows:

"The Secretary of State is in a quasi judicial position. The decision is his and it must be made on the evidence before the Inspector. If anything else after the Inquiry were to be taken into account, the Inquiry would have to be re-opened. The meeting cannot therefore discuss the merits, only the timing, of the Secretary of State's decision."

I am sending a copy of this minute to Sir Robert Armstrong.

J. P. LANKESTER

6 July 1981

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ck. A. Dugard **B**

Prin. Minister

We have arranged a meeting on this for late this month. I thought you should see this 1 July 1981 note from Robin Ibb's right away. He recommends accepting the Inspector's view that planning permission be given, but not agreeing the investment until we are certain it is justified.

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Vale of Belvoir Inquiry

1. We have seen a draft of the Secretary of State for the Environment's preliminary conclusion on planning consent for the Vale of Belvoir project. We believe that the problem posed by Belvoir needs to be viewed against the background of the fundamental NCB/NUM problem, which we are examining.

2. The coal industry currently poses two immediate major problems for the Government:

(a) How to ensure that the miners' pay settlement in September/October does not seriously damage the prospects for low pay settlements in the public and private sector in the forthcoming pay round - an objective central to the Government's economic strategy.

(b) How to contain the huge and growing losses and cash demands which it is imposing.

3. This analysis leads to two simple objectives:

(a) To get the lowest possible miners' settlement this autumn, and

(b) Steadily to increase acceptance within the industry that its long-term future depends on efficiency, good working practices and the closure of uneconomic pits.

4. Achievement of these objectives will depend on maintaining a situation in which the moderates see it as being in their best

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interests to accept the direction in which the Government wants to move the industry. At present they regard themselves as well-paid and likely to lose financially from a strike, and would only support this if they felt threatened (as they apparently did in February).

5. The significance of Belvoir is that to the industry it is a key part of Plan for Coal and a symbol of the Government's willingness to support the industry. Furthermore it is in an area where moderates predominate and will provide jobs as other Leicestershire and South Nottinghamshire pits close.

6. If, therefore, Belvoir is turned down against the Inspector's recommendations/^{this} is likely seriously to upset moderate opinion. It will appear as a defeat for Gormley and even as a deliberate political snub. It will strengthen the position of those who are blatantly opposed to the Government and seek confrontation with it.

7. While the turning down of Belvoir is unlikely in itself to lead to industrial action, the unsettling of moderate opinion will make it harder to achieve a moderate pay settlement in the coming months; and it is likely also to set back the time when the industry can achieve the reasonable pace of closures required to contain the losses.

8. It is important to distinguish between giving planning permission for Belvoir as the Inspector's report recommends, and giving detailed investment approval for the project to proceed. Our view is that the best course would be to accept the Inspector's recommendation on the planning application, but to make it clear both to the public, and particularly to the NCB and the NUM, that approval of the massive investment in the project must await both

- progress in improving the performance of the industry, and with it the long-term demand for coal, and

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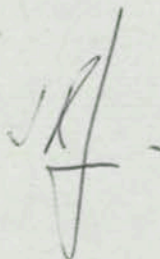
- detailed appraisal of this particular project.

(This course may well mean reopening the inquiry later, on the grounds that new evidence is being taken into consideration, but at that stage it would be environmental objectors rather than the Government who were opposing the project.)

9. We recognise that there are strongly-held environmental views against Belvoir, although the Inspector's report comes out against them. However to achieve 22GW of nuclear generating capacity by 2000 the Electricity Boards will have to find up to 12 sites (after Sizewell) for a further 14GW in coastal or rural areas, and then fight and win planning enquiries for them against environmental objections. A veto on Belvoir would make this even harder. Mr Heseltine's use of the argument against Belvoir that the "need" for additional coal has been insufficiently established would be a serious embarrassment when the case for a rapid increase in nuclear capacity has to be advanced.

10. The advantage of allowing planning approval but specifically remaining uncommitted to project approval is that the continuing prospect of Belvoir then increases interest which moderates have in improving the efficiency of the industry, and at the same time leaves in the Government's hands the important card of actual approval of the project. By not alienating moderate opinion it puts the Government into a stronger position to achieve its objectives in the coming pay round.

11. I am sending a copy of this minute to Sir Robert Armstrong.



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