

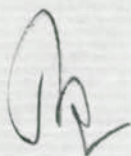
PRIME MINISTERNCB/NUM AND VALE OF BELVOIR

1. Robin Ibbs sent you a minute on 8 July about the significance of our decision on the Vale of Belvoir in the context of this year's NUM pay claim. We think that he has if anything understated the importance of the decision as a card in the negotiations.
2. All the forecasts point to a very difficult pay round. We are going to have to pull out all the stops to prevent a further loss of competitiveness this year. The miners settle early in the round (1 November) and although only a few of the public sector monopolies will expect to match them, a high settlement for the miners will inevitably raise the sights of almost all other groups.
3. The NUM Conference decision to press for £100 a week may be only the usual rhetoric. But Scargill and the Left will try to use a "no" decision on Belvoir to give the claim real substance.
4. Our contingency plans are not ready for a fight with the miners this year. The work of the official group, on which Andrew Duguid and John Vereker have been sitting, points firmly towards the impracticability of taking on the miners unless, among other preparations, we start the autumn with much higher coal stocks than we now can arrange. And there is no hope of achieving moderation by exhortation in the case of the miners.
5. So we must play what cards we have with care; and the only significant card is Belvoir. There are two decisions to be taken on Belvoir: the quasi-judicial planning decision, and the investment decision. It is essential to separate these: different criteria apply, and different consequences follow.
6. The planning decision ought to be positive:
 - (1) because it will be very difficult to find grounds to over-rule the inspector's recommendation; and
 - (2) because if it is positive we retain the investment decision card, whereas if it is negative, Scargill will work all-out to convince the rank and file that "the Government is set on teaching them

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a lesson" etc. For these reasons, delay on the planning decision is just as bad.

7. This does not mean taking an immediate positive investment decision, because the necessary business appraisal will not have been made. The investment decision becomes the bargaining card we hold over the miners, making it clear that a major factor in the decision will be how much we have to pay for the coal - and pay is the main ingredient in productivity.
8. I believe you should discuss this with Robin Ibbs, and perhaps also Geoffrey, before 30 July.



JOHN HOSKYNs

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