

E(81) 10th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 12 MARCH 1981 at 12.00 Noon

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon John Biffen MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon George Younger MP
Secretary of State of Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Sir Michael Havers QC MP
Attorney General

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

SUBJECT

BRITISH GAS METHANE TERMINAL AT CANVEY ISLAND

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The Committee considered a Note by the Secretaries (E(81) 29) covering minutes from the Secretaries of State for the Environment, Employment and Energy on the Government's response to the Planning Inspector's report, which was to be published shortly, on the risks from the British Gas Corporation's (BGC) methane terminal at Canvey Island.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that in 1979 he had instituted an inquiry into the case for revoking the planning permission given in 1975 to United Oil Refineries Limited (URL) for an oil refinery on Canvey Island. The Inspector, General Ward, had now concluded that URL's oil refinery was acceptable but he had gone beyond his terms of reference to recommend that BGC should either take action to nullify the high risk from their methane terminal or move it elsewhere. The Inspector had stated in his report that "any other alternative which continues to allow the people of Canvey and others to be exposed to what could be an accident of major proportions would be to my mind both foolhardy and irresponsible". He (the Secretary of State) was bound to publish the Inspector's report shortly and the local Member of Parliament, Sir Bernard Braine, and other local interests would undoubtedly seize upon it as confirming their own long-held views on the dangers from the methane terminal. In his view it would be insufficient merely to dismiss the Inspector's conclusions, and he recommended that, in order to give the public adequate reassurance, he should consult the Castle Point District Council with a view to arranging, jointly with the Secretary of State for Energy, another exploratory public inquiry into whether he should initiate proceedings for the discontinuance of the methane terminal. Both the BGC and the Health and Safety Executive (HSE) disagreed with the Inspector's assessment of the risks; under this procedure they and others would have the opportunity to put their points of view. By proceeding by way of exploratory inquiry, rather than moving straight to a discontinuance order which would itself involve a public inquiry, it should be possible to avoid creating a preconception that discontinuance was clearly justified. It had to be recognised, however, that it would then be very difficult for the Government to refuse to accept any resulting recommendation to take discontinuance action, and this in turn, could lead to a liability for compensation of over £100 million.

THE SECRETARY OF STATE FOR ENERGY said that the Canvey methane terminal was an essential part of BGC's operations and without it they could not meet their statutory obligation to supply. There was, therefore, no question of their willingly agreeing to run down their activities at the terminal and to transfer them elsewhere. If they were forced to move as a result of discontinuance procedures they estimated that, in the unlikely event of their being granted planning permission on a suitable site elsewhere, it could cost around £150 million to provide equivalent facilities and take five to ten years to do so. Since the Inspector had acted outside his terms of reference, and his conclusion appeared to be technically and statistically unsound, his view was that it should be sufficient to publish the report and to allow the HSE, who now assessed the risk as being significantly less than when they had first considered them in 1973, to argue their case against the Inspector. To set up a further public inquiry could undermine the credibility of the HSE and have costly consequences, both now and in the future, for other major energy and industrial developments.

THE ATTORNEY GENERAL said that he was satisfied that, if action were to be taken it should be under the powers conferred by the Town and Country Planning legislation. In dealing with this and similar cases, the Secretary of State for the Environment had a quasi-judicial role and, unless he was satisfied that there were no doubts which required further examination, he was obliged to arrange for an inquiry. It would be acceptable, however, to delay any move to discontinuance proceedings if there were to be an exploratory inquiry first.

In discussion the following were the main points made -

- a. Although the Inspector's technical competence was open to question, it would not be satisfactory to leave it to the HSE to contest his findings. The fact was that their judgement, and that of the BGC, had been publicly challenged in strong terms by an inspector appointed by the Government; and the public would be reassured only by an independent assessment of all the conflicting views of the different public sector authorities now involved.

- b. The further assessment should be started urgently and completed as soon as possible. If its conclusions were to carry conviction, it would be necessary to avoid any short cuts which experience at other inquiries, for example at the Mossmorran petro-chemical complex, had shown could prolong the inquiry rather than the reverse. It would also be preferable to use the standard procedures available to the Secretary of State for the Environment rather than to set up an ad hoc inquiry which might later be criticised as inadequate by those disagreeing with its conclusion. The Secretary of State for the Environment should, however, ensure that the exploratory inquiry which he had proposed was headed by an independent chairman of national standing and authority and supported by technically competent assessors. Mr Justice Parker had successfully conducted the Windscale Nuclear Fuel Reprocessing Inquiry and consideration should be given to the appointment of a judge.

THE PRIME MINISTER, summing up the discussion, said that, while it was unsatisfactory that the Inspector should have reported in strong terms on matters beyond his terms of reference and his own competence, the Committee agreed that the report must be published soon. They also agreed that, at the same time, the Secretary of State for the Environment should announce in neutral terms the setting up of an urgent exploratory public inquiry on the lines he had proposed. He should arrange for the appointment to the inquiry of an independent chairman of high standing supported by technically qualified assessors. The chairman himself might be scientifically qualified but, as an alternative, the Secretary of State for the Environment should consult the Lord Chancellor on the possibility of appointing a suitable judge, supported by technical assessors.

The Committee -

Invited the Secretary of State for the Environment -

- i. to consult Castle Point District Council with a view to arranging another exploratory public inquiry into whether he should initiate proceedings for the discontinuance of the British Gas Corporation's methane terminal on Canvey Island;
- ii. to ensure the appointment to the inquiry of an independent chairman of high standing on the lines indicated by the Prime Minister in her summing up of their discussion;

- iii. to announce the setting up of the inquiry and, if at all possible, the name of the chairman, at the same time as the publication of the Inspector's report on installations at Canvey Island;
- iv. to clear the draft of his statement with members of the Committee and, subject to the agreement of the Chancellor of the Duchy of Lancaster and the Paymaster General, to make it orally;
- v. prior to his discussion with Castle Point District Council and to his statement, to inform Sir Bernard Braine MP of the Government's proposals.

Cabinet Office
 16 March 1981