

**SECRET**

Confidential Study

Cross Channel Electricity Link.

ENERGY

June 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>15.7.80</del>							
<del>27.3.82</del>							
<del>1.4.81</del>							
<del>7.2.83</del>							
<del>1.11.80</del>							
<del>5.11.84</del>							
<del>8.11.84</del>							
<del>15.11.84</del>							
<del>23.10.84</del>							
<p>PREM 19/1475</p>							

  
**CLOSED**



File



BRIEFING FOR PRIME MINISTER'S QUESTIONS

CEGB purchase of French electricity through Cross Channel Link

Line to take

- 1 The price at which electricity will be bought by the CEGB from Electricity de France is well below the average cost of electricity produced in the UK.
- 2 The link is designed for flows in either direction, and no agreement on supplies in either direction has been made beyond the initial two year period.
- 3 The volume of coal to be bought by the CEGB from the NCB during the two year agreement will be no less than it was before the strike.

Background (CONFIDENTIAL.)

1 Ministers agreed in September last year that the CEGB should negotiate a two year agreement with Electricity de France to import electricity via the Cross Channel Link. The Prime Minister was consulted and endorsed the proposal.

2 The CEGB and EdF concluded an agreement in January this year on that basis. No announcement was made during the miners' strike, because of the effect imports of electricity would be thought to have on the NCB. Department of Energy Ministers in answering PQ's have so far not disclosed their knowledge of the two year agreement and have said the operation of the link is a commercial matter for the two utilities.

3 The first stage of the link is due to be commissioned in October or November this year. The CEGB had not intended to make any announcement about their commercial agreement until nearer the time, but Mr Boiteux, Chairman of EdF, answered questions from Financial Times and Times journalists last week which caused the news to break. The FT got the story wrong (see Annex A). The CEGB issued a low key Press Release on Friday, with the Secretary of State's approval, to put the record straight. (See Annex B.)

EL 2

17 June 1985

CONFIDENTIAL

# Britain rejects French offer of cheap electricity

BY IAN HARGREAVES IN ATHENS

BRITAIN HAS rejected a French offer to supply cheap nuclear-produced electricity via the new Channel cable due to be in operation by the end of the year on the grounds that cut-price imports could damage the UK coal industry and provoke resistance from the country's power industry unions.

M Marcel Boiteux, chairman of Electricité de France, said yesterday that EDF had offered to send baseload power supplies across the undersea link when it was completed later this year.

This power, he said, was surplus to French requirements and could be offered at a price well below UK generating costs. Britain, he said, had turned down the proposal for social and political reasons.

Mr Fred Bonner, deputy chairman of the Central Electricity Generating Board, who, like M Boiteux, is in Athens for the triennial conference of the International Union of Producers and Distributors of Electrical Energy (Unipede) said that initially any proposed French supply would displace expensive fuel oil in power stations but would soon also have an impact on CEBG demands for coal.

"Once you start eating into coal you would have the problem of what it means to the National Coal Board," he said. Since the future size of the coal industry was still under discussion between the NCB and the Government it was difficult for the CEBG to make a commitment to EDF.

It is clear, however, that the UK electricity supply industry intends to use the EDF offer as a bargaining counter with the coal board in the latest round of negotiations over coal prices. Under a four-year rolling agreement between the coal board and the CEBG the electricity board is bound to take 95 per cent of its coal from the NCB.

In return the coal board raises prices—annually at less than the going rate of inflation. However, the electricity industry now fears that as its anxiety for the coal board to meet its breakeven target in March 1987 the Government will be tempted to sanction higher coal prices. The pricing agreement expires in 1988.

The French offer is therefore of considerable significance for the pricing talks. The cross-Channel link's first stage will have a capacity of 1,000 megawatts—almost equal to the size of the proposed nuclear power station at Sizewell, Suffolk—

—and the link will be doubted in size by the end of next year.

Originally, the link was seen in Britain as a means of selling UK coal by wire to a France then weak in generating capacity. Since then, France's nuclear power programme has significantly changed the situation.

M Boiteux said France was willing to sell power to the UK under two different financing packages. One would offer a baseload or continuous supply at little over the French average nuclear generating cost of FFrs 0.24 (2p) per kilowatt hour.

A second possibility, already exploited in EDF agreements with other foreign buyers, would enable Britain to obtain additional power at peak periods at prices close to EDF's marginal cost of production.

EDF's marginal costs (i.e. cost not including capital charges and general overheads) for nuclear output are only FFrs 0.08 (0.7p) per kilowatt hour.

In practice M Boiteux said EDF normally splits the benefits of such deals with foreign purchasers so that a buyer whose own alternative marginal output involves buying coal, typically at a cost of FFrs 0.18 of 1.35p, would receive French supplies at FFrs 0.12 or 1p per kilowatt hour.

On either basis this would represent an extremely attractive offer to the UK. According to its recently published figures the CEBG's major coal stations generate electricity at between 2.32p and 2.56p per kilowatt hour. The figure for oil capacity is between 4.2p and 5.78p.

On the marginal costs of French supplies at 1p per kilowatt hour would be around half the cost of buying coal for equivalent output at a UK coal station.

Mr Bonner said he could not comment directly on these EDF figures but he acknowledged that the proposed EDF prices significantly undercut UK costs.

He said that initially there was no question of buying baseload power from France. The link would be for a two-way flow of power.

Mr Bonner said that it also be day-to-day between the two countries.

The Jersey Electricity company, recently completed its own link with France, announced a 20 per cent tariff as a result.

Reference.....

ANNEX A.

FINANCIAL TIMES.

14 JUNE 1984.

CEGB STATEMENT CLEARED WITH SIR WALTER MARSHALL 14 JUNE

In 1977 the CEGB and EDF agreed to construct a 2,000 MW cross-Channel link. Later this year the first half of this link will be available, the second half a year later.

The CEGB have now agreed with EDF commercial arrangements for operation of the first half of this link during the first two years. These involve the supply of 1,000 MW to the CEGB from surplus French capacity subject to stipulated provisions for interruption. (1,000 MW is equivalent to less than 2 per cent of existing CEGB capacity.)

The price at which the electricity will be provided is significantly below the average cost of electricity provided within the United Kingdom. The cross-Channel link is designed for flows in either direction and no agreement as to supplies in either direction has been made beyond the initial two year period.



NBPM  
AT 20/110

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

23 October 1984

The Rt. Hon. Peter Walker MBE MP  
Secretary of State for Energy

Handwritten signature of Peter Walker.

**CROSS CHANNEL LINK**

Thank you for your letter of 16 October.

It is common ground that we do not need to decide yet whether to use the second link fully when it becomes available and whether to use the first after the initial two year period. But your public expenditure proposals already include many items, such as the CEGB's current plans for an investment in the French fast reactor, on which firm decisions have not been taken. The general rule is that these are included if there is a reasonable likelihood that the expenditure will in fact be incurred.

As the Prime Minister has commented (Andrew Turnbull's letter of 20 September), logic points to full use of both links to France. That must surely be the right basis for financial planning.

I quite accept the need for consistency with the assumptions made on coal. When we come to look at the NCB's external financing figures again after the strike, the consequential loss of sales will be one factor to be taken into account. But I do not accept that this should delay further the Board's return to break-even. We should also want to consider the implications of reduced markets for the NCB's investment programme. Indeed, there is a clear case for cutting back that programme further this year to help reduce the effect of the strike on public expenditure.

I am sending a copy of this letter to the Prime Minister. Since Peter Rees has suggested full use of the link as one of the methods of enabling the ESI's rates of return to rise to the 5 per cent level without real price increases, I am also sending a copy to Lord Whitelaw as Chairman of MISC 106, and to Sir Robert Armstrong.

NIGEL LAWSON

Handwritten signature of Nigel Lawson.

24 OCT 1984

0 1 2 3 4  
5 6 7 8 9  
10 11 12





NBEN

AT 16/10

CCNO

9

SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 1QJ

01 211 6402

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

16 October 1984

CROSS CHANNEL LINK

In your minute of 18 September to the Prime Minister on the Cross Channel Link you said you would prefer Walter Marshall to negotiate at least the option to use the second link fully when it becomes available, and to maintain the use of the first link at full capacity beyond the initial two year period. You suggested that in the meantime our financial planning should assume full use.

I have seen Walter Marshall, and I have agreed that he should negotiate with EdF on the basis that he proposed for a two year agreement for the use of the first link. EdF are, at present, seeking no more than agreement for two years. It clearly makes no sense, on substance or tactics, to commit ourselves by offering a longer-term understanding to the French before they even ask for it; especially when we know that the French are likely to be eager, if not desperate, to sell surplus nuclear electricity. Marshall understands that the use of both stages of the link and the nature of any longer term contract with EdF will need to be further considered by the Government in due course.

It is therefore inappropriate that our financial planning should show any savings from the use of the Cross Channel Link beyond those expected from such a two year agreement on the use of the first link. Such savings would have to be made known to both the Electricity Council and the CEGB, and would pre-empt

SECRET



the decisions which I have told Marshall we have yet to take. Moreover if we were to start taking credit for policy decisions we have not yet made, we ought to score also the corresponding extra losses to the NCB from the loss of market for their coal. There is no way we can simply assume that they will forthwith make a further reduction of capacity to avoid these losses, over and above the reductions implicit in the present bold assumption of break-even by 1987/8. I cannot agree, therefore, that the savings to be shown in the IFR should go beyond those expected from the two year agreement.

Of course, there are benefits to be gained from a longer term agreement; but these must be considered against the implications for the coal industry. I will be putting my views to colleagues when I receive a further proposition from Walter Marshall.

I am copying this letter to the Prime Minister.

PETER WALKER

SECRET

ENERGY: CROSS-CHANNEL ELEC. LINK.

16 OCT 1984

11 12 1  
9 2  
8 3  
7 6 5 4



NDPM

AT

24/9

8

PM/84/152PRIME MINISTERCross-Channel Electricity Link

1. Peter Walker sent me a copy of his minute of 13 September to you about this. I have since seen Nigel Lawson's minute of 18 September and your views as set out in Andrew Turnbull's letter of 20 September.
  
2. My direct concern is the effect on our relations with the French. It will be important that in any negotiations the CEGB should leave Electricite de France, and through them the French Government, in no doubt about their position on the future utilisation of either link. It would be awkward if the French were to claim there was a commitment on the use of the first link after October 1987, or on the full use of the second link as Nigel Lawson suggests, if that were not the case. I am glad to see that Peter Walker stresses this consideration too.
  
3. I am sending copies of this minute to the Secretary of State for Energy, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster and to Mr Gregson in the Cabinet Office.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
24 September 1984

Energy  
Cross-Country Link  
Electricity  
8/94





*ble*  
*SLHADY*  
*cc David Pascall*

10 DOWNING STREET

*From the Private Secretary*

20 September 1984

CROSS CHANNEL ELECTRICITY LINK

The Prime Minister has seen your Secretary of State's minute of 13 September. She welcomes the fact that stage one of the link can be operational by October 1985 and she supports a two-year agreement to use the link fully.

The Prime Minister has also seen the Chancellor's minute of 18 September. Although no decisions need to be taken now, she agrees that the same link which pointed to full use of the capacity of stage one also points to full use of the capacity of stage two.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (H M Treasury), Callum McCarthy (Department of Trade and Industry), Paul Thomas (Chancellor of the Duchy of Lancaster's Office), and Mr Gregson (Cabinet Office)

Andrew Turnbull

Michael Reidy, Esq.,  
Department of Energy

*SH*



10 DOWNING STREET

From the Private Secretary

Prime Minister ①

The Chancellor and Mr Gregson have now responded to Mr Walker's minute on the Cross-Channel link. They both support full use of Stage I for imports from France. Indeed they suggest that the same logic points to full use of Stage II despite impact on NCB finances.

Agree 1 minute

- (i) supporting full use of Stage I
- (ii) endorsing Chancellor's argument about Stage II?

Yes not

AT  
19/9



6

CERO

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

CROSS CHANNEL ELECTRICITY LINK

Peter Walker sent me a copy of his minute to you of 13 September.

2. It is welcome news that the first of the links to France could be providing electricity at its full capacity from October 1985. I well understand the dilemma which Peter faces over the second link which is intended, I believe, to be completed in the Autumn of 1986. Immediate utilisation would displace more coal and add to NCB's problems in getting back to break even. But forgoing the opportunity would create other problems:

a. we might actually need to use the second link if we had trouble with the NUM again during the winter of 1986-87. Opening negotiations with the French in such circumstances would be both controversial and liable to result in an extortionate price.

(b) We want to avoid the suggestion gaining public currency that we are prepared to contemplate what would be effectively import restrictions on electricity to help the NCB. In principle it is wrong to shelter the NCB and NUM from the competition of cheaper foreign supplies.

(c) Full use of this link offers a useful cost saving towards achieving a higher rate of return by the electricity boards.





3. On balance I should feel more comfortable if Walter Marshall negotiated at least the option to use the second link fully when it becomes available and to maintain the use of the first link at full capacity beyond the initial two-year period. He could consult again nearer the time about whether actually to proceed. In the meantime our financial planning should assume full use.

4. Since we have no locus over the CEGB's formal arrangements with their French counterparts, it should not be too difficult to distance ourselves from their decisions. Indeed too active intervention could lead to bids for grants to electricity in compensation which I could not contemplate.

5. Finally, Peter Walker's minute reinforces my worries about NCB's aspiration to expanding markets. Full use of these links would reduce electricity coalburn by up to 6 million tonnes a year (a loss of about 5 per cent of NCB's domestic markets). This was not taken into account in their previous investment bid (for over £3,000m in the 4 years to 1987-88). We shall need to look hard at the justification for this programme anyway. For the time being at least, I think it would be prudent to avoid public repetition of the £3,000m figure.

6. A copy goes to the recipients of Peter Walker's minute.

*Judith Simpson*

N.L.  
18 September 1984

*approved by the Chancellor & signed  
in his absence*

Energy

Aug. 84

Cross-Channel electricity link

500 210 1000 10 0000 0000

1984

12-23-84

COMMITTEE

500 210 1000 10 0000 0000



SECRET

~~CC NO.~~  
5

P.01388

MR TURNBULL

CROSS CHANNEL ELECTRICITY LINK

I understand that before he leaves today the Chancellor should be able to sign a minute broadly agreeing to a two-year agreement on the first stage of the cross channel electricity link on the lines proposed by Sir Walter Marshall and set out in the Secretary of State for Energy's minute of 13 September. The objective is to ensure that the first of the two links is not only constructed by 1 October 1985 but is also operational and capable of full usage by that date. This is highly desirable in the interests of improving power station endurance in the winter of 1985/86. A commitment to full usage of the link over the period October 1985 - October 1987 will of course reduce CEGB consumption of NCB coal during that time. I am sure however that, throughout that period, we shall wish to maintain power station endurance at the highest possible level. The extra coal can therefore be used to build up stocks at power stations. Since we shall be buying the French electricity at a price below the CEGB's marginal costs, this will be a far less expensive way of improving endurance than increased oil burn.

2. There may indeed be a case for full usage of the link after October 1987 and for a similar arrangement for the second link when it is completed in October 1986. The Chancellor may point out in his minute that this could be useful not only from the point of view of improving endurance but also as a way of bringing some of the pressures of the international market place into electricity supply. But the balance of advantage can be better judged nearer the time and, so long as we can ensure that options will not be closed, there is no need to take decisions now about the usage of the first link after October 1987 and the arrangements which might be appropriate for the second link from the autumn of 1986 onwards.



SECRET

3. Any announcement about the agreement, when it is finally reached, will, as Mr Walker points out, need careful handling. In particular we shall need to guard against the danger that it could be used to create disaffection among power station workers.

4. The Prime Minister will probably therefore signify her agreement to the Secretary of State's proposals, endorsing to whatever extent seems desirable any comments made by the Chancellor.

*PLG*

P L GREGSON

CONQUEROR

18 September 1984

SECRET



Prime Minister (2)  
I will gather reactions  
from other Ministers.  
To note meanwhile.

4

AT 13/9 We must  
go ahead. We  
need the extra  
investment.  
me

PRIME MINISTER

CROSS CHANNEL ELECTRICITY LINK

I can now report a new development on this link, about which I minuted you on 15 August.

I asked Sir Walter Marshall to explore whether it was possible to obtain the agreement of the French to accelerate construction of the link with a much more limited commitment to take French electricity than that described in my minute of 15 August.

Sir Walter has now been able to tell me that he believes there is the prospect of a deal on this basis - though negotiations with the French will not be plain sailing.

The agreement he feels he can obtain would be as follows:-

- (i) one of the two links planned to become operational during 1986/87 would be accelerated with a view to completion by October 1985, giving a capacity of 1,000 megawatts;
- (ii) the link would be used to its full extent for supplying electricity to the UK for a period of 2 years from 1 October 1985;
- (iii) the price for the French electricity would be industrial tariff C, the rates of which are (as stated in my earlier minute) at all times of the day and week below CEGB's marginal costs at equivalent times.

The second 1,000 megawatt link would be completed during the period of this 2 year agreement, but the use of the second link would have to be the subject of a separate agreement.



A short term agreement of this kind would have different implications from one extending over 5 years - which is what CEGB have hitherto had in mind. Its importance would arise not just from providing a substantial tranche of low-priced electricity (saving up to £70m pa) but also from the added assistance or insurance it could give us in the recovery from the coal strike: in particular, in rebuilding coal stocks.

The nature and amount of the advantage to be secured on stock rebuild will depend on how soon the coal dispute ends. If we get a settlement by (say) early October, and coal stocks are built up as rapidly as feasible (both from pit head stocks and NCB production, and from imports and non-vested sources) there is, according to NCB and CEGB, a reasonable chance that CEGB could rebuild its coal stocks to around 30mt by the end of next summer. This assessment takes into account a loss of normal production resulting from damage to pits etc. In this event, the Channel Link would not contribute directly to the stock rebuild, but it would offer a useful measure of additional endurance in what could be an uneasy period in relations within the coal industry.

If, on the other hand, the coal strike were to run on through the coming winter to (say) April, coal stocks at power stations will have dwindled to very low levels; and it is unlikely to be possible to rebuild coal stocks to the 30 million tonne level by October 1985 particularly since more pits are likely to have suffered damage. The additional capacity provided by the Channel Link would then be extremely important to us: both in increasing the rate at which we could rebuild stock and in increasing endurance at any particular coal stock level.

A 2-year agreement on the lines envisaged would not be without its disadvantages. If the strike ends soon, the effect of the Link during its 2-year currency would be to "back out" between one and 2mt coal which CEGB would have otherwise have required. There will also, of



course, be a balance of payments cost. Moreover, there will be suspicions both among the coal and electricity unions that the 2-year agreement is simply a precursor to a longer-term commitment, which might well reduce jobs in both industries.

I think nonetheless that the balance of argument is in favour of authorising Sir Walter Marshall to enter into negotiations to secure a 2-year deal - provided that it is made absolutely clear to the French that there is no commitment as to the way in which the Link is used after October 1987. I believe he is also ready to secure that if completion is delayed beyond October 1985, the agreement still ends on 30 September 1987. I would be glad to know that you agree.

*Agreed  
mt*

The public impact of such an agreement would need careful consideration. Sir Walter Marshall tells me that he could ensure some flexibility on the timing of any announcement by reaching a gentleman's agreement with the French and deferring any formal signature until the timing suited us. But complete confidentiality could obviously not be guaranteed.

I am copying this minute to the Foreign Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster and to Mr Gregson in the Cabinet Office.

SECRETARY OF STATE FOR ENERGY

13 September 1984

ENERGY  
Cross - Channel  
see link  
to go on



COMPTON

1954



SECRET



3 JP

10 DOWNING STREET

*From the Private Secretary*

16 August 1984

CROSS-CHANNEL ELECTRICITY LINK

The Prime Minister has considered your Secretary of State's minute of 15 August, the text of which was passed to her in Austria.

The Prime Minister would be grateful if your Secretary of State could at this stage involve only the following Ministers in further consideration of this matter: the Chancellor of the Exchequer, the Chancellor of the Duchy, and the Secretary of State for Trade and Industry. The Foreign and Commonwealth Secretary should, however, be consulted as necessary, and Mr. Gregson in the Cabinet Office should receive copies of all papers and be invited to meetings.

BF

The Prime Minister would be grateful for a progress report from your Secretary of State in early September.

(DAVID BARCLAY)

J.S. Neilson, Esq.,  
Department of Energy.

SECRET

2

PRIME MINISTER

CROSS CHANNEL ELECTRICITY LINK

ATTACHED IS THE TEXT OF A MINUTE FROM MR WALKER ABOUT SPEEDING UP COMPLETION OF THE CROSS CHANNEL ELECTRICITY LINK. HE HAS ASKED SIR WALTER MARSHALL TO EXPLORE THE POSSIBILITY OF BRINGING FORWARD COMPLETION TO OCTOBER 1985.

THE ONLY POINT THAT NEEDS YOUR DECISION NOW IS IN THE LAST PARAGRAPH, IE WHICH MINISTERS TO INCLUDE IN FURTHER CONSIDERATION OF THESE MATTERS.

THE FRONT RUNNERS, APART OF COURSE FROM MR WALKER HIMSELF, ARE THE CHANCELLOR OF THE EXCHEQUER AND THE SECRETARY OF STATE FOR TRADE AND INDUSTRY. BUT IF YOU WANTED AN INDEPENDENT VOICE, YOU MAY LIKE TO ADD LORD COCKFIELD, AND BECAUSE OF THE INTERNATIONAL DIMENSION THE FOREIGN SECRETARY MAY NEED TO BE CONSULTED FROM TIME TO TIME.

AGREE:

1. CHANCELLOR, MR WALKER, MR TEBBIT AND LORD COCKFIELD, PLUS PETER GREGSON, SHOULD SEE ALL PAPERS.
2. FOREIGN SECRETARY SHOULD BE CONSULTED AS NECESSARY.

DAVID BARCLAY

15 AUGUST 1984

5



PRIME MINISTER

I have discussed with Sir Walter Marshall the potential for speeding up the cross channel electricity link. In particular I have asked him to explore with the French the possibility of bringing the project forward so that it is completed next October, and is able to make an important contribution to endurance from that period onwards.

The commercial terms of an agreement will of course be important to both sides. The main features proposed by the French are as follows:-

- (i) maximum feasible utilisation of the channel link for both "peak sharing" and trading;
- (ii) CEGB commitment to import up to a maximum of 14 TWH per annum;
- (iii) the price basis for French electricity would be industrial tariff C, the rates of which are at all times of the day and week below CEGB's marginal costs at equivalent times;
- (iv) the agreement to run for 4 years, but renewable on the same terms for a fifth year;
- (v) the price basis to be renegotiated if UK coal prices moved outside a range of 1.05 to 0.95 of its relativity to French prices at the time the agreement was reached; and



- (vi) EdeF would have a commitment to supply power to CEGB in the event of disruption of coal or other fuel supplies to CEGB.

At a very preliminary guess, and assuming maximum imports, an agreement on this basis might bring a cost reduction estimated by the CEGB at around £137 million per annum. It would however have a substantial adverse effect on the balance of payments, and might displace about three million tonnes of NCB coal per annum. Such a displacement could well add significantly to the National Coal Board's costs, at least until the Board had fully adjusted to the lower levels of demand.

It is obviously a very sensitive area and I anticipate you will have to come to conclusions early in September when Sir Walter reports to me on the French reactions to his further soundings.

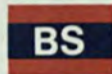
I would be grateful if you could let me know which Ministers you would like to be involve in reaching decisions on this matter. I will then arrange that they and your office obtain a secret briefing, as soon as all the facts and figures are known.

SECRETARY OF STATE FOR ENERGY

15 August 1984

B10

Pa. Wh 14/2



# British Shipbuilders

197 Knightsbridge, London, SW7 1RB Telephone 01-581 1393 Telex 8814702

**Robert Atkinson**  
Chairman

Prime Minister

I am obtaining the briefing  
given to John Moore today,  
which should cover

With Compliments

most of these allegations WK



British Shipbuilders

Chairman  
Sir Robert Atkinson DSC\*\* RD

197 Knightsbridge  
London England SW7 1RB  
Telephone: 01 581 1393  
Telex: 8814702 BSBLDR G

CONFIDENTIAL

The Rt Hon Patrick Jenkin PC MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1

7 February 1983

Dear Patrick,

*Handwritten initials/signature*

CEGB Cable Laying Ship

I note in the press that you are to make a statement in the House today concerning this order. In our view the placing of the order has been rushed through with "indecent" haste and to our exclusion. I am particularly concerned that the Prime Minister who has been consistently helpful to the Corporation did not appear to have been fully briefed regarding this matter when it was raised in the House on Thursday. I give you a few comments in an attempt to be brief.

1. I visited the previous CEGB Chairman in June 1981 to discuss current and future tonnage requirements. This particular ship had obviously not then been envisaged.
2. We recently quoted three contractors for
  - (a) a conversion;
  - (b) new tonnage.

None of these contractors was awarded the contract.

3. A fourth contractor, whose involvement was not known to us, did not send us the inquiry so we did not in fact tender at all for the successful package.
4. As a follow up to paragraph (2) I wrote to the Chairman of the CEGB to ask for an interview. This was declined and I received the enclosed evasive reply dated 25 January signed by a Mr Lomer. As Chairman to Chairman I have never previously been refused an interview nor refused to give one. We are a customer of CEGB to the extent of £11m per year. We are obliged to deal with this monopoly regardless of their competitiveness.
5. We immediately approached the DOI to seek help but, to be fair, the order was rushed through before they had time to act. We had already been in close touch with OSO who were rendering all possible help and guidance.

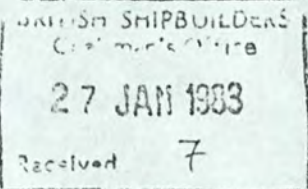
6. It has been said that this ship is merely part of a larger package and that the CEGB is not the owner. But the specification for the package was the responsibility of the CEGB and a British built ship could have been specified. We have built many successful ships for the CEGB.
7. (i) You will be aware that BS has discharged more than 25% of its employees and closed many facilities in the last few years from
  - (a) 15 shipyards compared with 27 in 1977;
  - (b) 28 building berths compared with 66 in 1977;
  - (c) 2 marine enginebuilding companies compared with 5 in 1977.
- (ii) We are currently involved in discharging another 3,000, and there is now the strong likelihood of a further 6,000 later in the year.
- (iii) We have kept within our cash limits for the last 3 years and during my period of office.
- (iv) You will know that I am now struggling to impose a total pay freeze on the Corporation for 1983; we are pushing ahead with improving productivity by our own design advanced computer systems admitted by IBM to be ahead of the Japanese; we are reducing numbers because of established and historical overmanning; we are reducing numbers by virtue of productivity reductions, and further numbers because of a permanent change in some of our markets.
- (v) You will know that I have advised Mr Norman Lamont that Scott Lithgow is non viable and must be dealt with; that we are about to close Tyne Shiprepair and Grangemouth Dockyard; and to put up for sale those and other non viable shiprepair assets. Additionally Goole shipyard is likely to be phased out.
- (vi) You will know that we may be obliged to mothball Austin & Pickersgill, Sunderland Shipbuilders and Clark Hawthorn unless adequate and suitable orders can be negotiated within the next few months which we consider unlikely.
- (vii) So we claim to be dealing with our problems but yet in low profile as exemplified by our good IR record and an industrial capability to respond to emergency as recently demonstrated.

- (viii) It is paradoxical to suggest that we have to become internationally competitive before we can receive orders. If we do not first receive orders we will merely die. We do not claim to be efficient any more so than are BSC or BL, but we do claim to be doing a lot about it, effectively and in low profile as befits an international trader.
8. You will, I think, agree that we chase even the "whisper" of an order to the far ends of the earth and that our image confirms our enthusiasm and dedication.
  9. How then can we accomplish all those things within a limited timescale and obtain vital orders from owners when a Government owned body places such an order overseas and under these circumstances and with such parliamentary publicity. But I assure you we will not be deterred.
  10. It is known that the Koreans are quoting absurdly low artificial prices unrelated to true costs and that even the Japanese are protesting. Since 60% of any ship is 'bought in' the cost/price gap largely reflects the competitiveness of British Industry and not only that of BS. We consistently argue this point.
  11. The history of this case can be dealt with extensively in detail and chronological sequence. In fact we would welcome an investigation. Should you require verification of facts we will be pleased to co-operate.
  12. I request you initiate action to have this important order reviewed and allow BS to negotiate a contract. It will be extremely damaging to our international marketing efforts if it is seen that not even a publically owned body is prepared to support British industry.
  13. Because of the urgency of the case and because the Prime Minister has been directly involved already I have sent a copy of this letter to the Prime Minister, Mr Nigel Lawson and Mr Norman Tebbit.

*Yours sincerely,  
Robert V*

ROBERT ATKINSON





CENTRAL ELECTRICITY GENERATING BOARD

*Sudbury House, 15 Newgate Street, London EC1A 7AU. Telephone 01-248 1202*  
From: D.R. Lomer - Board Member

Sir Robert Atkinson, DSC, RD, Chairman,  
British Shipbuilders,  
197 Knightsbridge,  
London SW7 1RB

25 January 1983

Dear Sir Robert,

Cable Laying Support Vessel

Due to heavy commitments the Chairman has asked me to deal with your letter of 14 January, and he has asked me to thank you for your courtesy in making known the purpose of the meeting you have proposed.

The vessel to which you refer forms one part of the sea operations necessary for the construction of a DC link which will connect the electricity supply systems of EDF and CEGB via submarine cables. The responsibility for this project rests with our Transmission and Technical Services Division at Guildford who, with our marine consultants, are currently assessing the tenders from a number of ship operators for the hire of a suitable vessel into which the DC cables can be coiled and from which the cables will be laid.

I understand these tenders have included purpose built and modified vessels, but in either case the CEGB will not be the owner of the vessel used: this will remain part of the ship operator's fleet or, in the event of him purchasing a new vessel, will be an addition to his fleet.

Our concern is that the successful tenderer provides a vessel which is suitable for the task to be carried out and is competent in what is a difficult sea operation. In addition, his charges must be realistic and he must guarantee to meet a tight programme. As far as we have been able to ascertain, at the present time there is no vessel suitable for the task that has to be performed and therefore either a vessel has to be modified or a new vessel purchased. As already mentioned, we are only interested in the vessel during the hiring period and for the purpose of cable laying.

You will, I am sure, appreciate that as we have received tenders and these are currently under assessment, a discussion with the Chairman on this subject at the present time would be difficult, as also would any discussion with the Director-General of the Transmission and Technical Services Division at Guildford.

Yours sincerely,

*D. R. Lomer*

ra/rw/0113/4  
14 January 1983

Sir Walter Marshall,  
Chairman,  
Central Electricity Generating Board,  
15 Newgate Street,  
LONDON EC1.

Cable Laying Support Vessel

Since taking up your appointment I have not had the pleasure of meeting you and I would now like to do so. The purpose of the meeting would be, please, to discuss the prospect of this ship order.

I would like to bring along to the meeting Mr. D.B. Kimber, the Chairman of our large ships sector, one of which yards has tendered for this important business. May I suggest my secretary calls yours to see if they can arrange a convenient date.

ROBERT ATKINSON

ns00 D. Kimber

PRIME MINISTER

---

Top copy filed on  
Post & Telecom  
Future of Pt 6

STATEMENTS ON TELECOMMUNICATIONS REGULATION AND CEGB VESSEL CHARTER

The House was fairly empty for both these statements.

Telecommunications

Stan Orme attempted to manufacture outrage on the grounds that Mr. Baker's statement directly affected Clause 3 of the Telecommunications Bill which the Standing Committee were still discussing. He called for the Bill to be suspended to allow time for discussion of the report and the Minister's statement. He said that the decision to allow competition on the prime instrument would put jobs in BT at risk, and would promote a flood of imports. He concluded that "Professor Walters' sticky fingers were all over this document". Opposition Members followed up the same theme, but also called for an assurance that rural services would not be put at risk.

Kenneth Baker had no trouble in dealing with Questions. He pointed out that the Government had always promised to publish the Littlechild Report, and that Mr. Orme had himself demanded its publication last week. There had been 80 hours of debate in Committee; the Opposition had made filibustering speeches of five hours in length; there were another 20 groups of amendments to be taken on Clause 3; and it was right that the Committee should continue to meet to discuss the Bill. The decision to allow competition on the prime instrument would extend consumer choice, and there was no evidence that it would lead to a flood of imports. It was a nonsense to say that only a public monopoly should be allowed to supply these instruments: why should the privilege of competing for jobs not be extended to the private sector? There was

/ an obligation

an obligation on British Telecom to provide telephony and telecommunications services. The access fees that BT would be able to charge competing public networks should generate enough revenue for BT to provide emergency, call box, and rural services. He felt Professor Littlechild was right to concentrate on price reductions since this was the area in which BT's monopoly power was felt most keenly by the public. The cuts in trunk rates made by BT showed the benefits of opening up the Corporation to competition.

#### CEGB Charter

John Moore had a slightly more difficult time. John Cunningham said that the shipbuilding industry was facing severe recession, and it was astonishing that a public Board had used public money to finance work in a Korean yard. He asserted that British Shipbuilders had not been given a chance to submit a detailed tender; that there had been no consultation with the Department of Industry; and that the CEGB were simply paying to the broker a sum equivalent to the capital cost of building a ship. He suggested that the French utilities involved in laying the cross-channel link had ensured that their cable-laying work had gone to French yards. The whole episode was a "stab in the back" for British shipyard workers.

John Moore said that there had been contacts with the Department of Industry, the Offshore Supplies Office of the Department of Energy and between the Chairman of British Shipbuilders and the CEGB; the tender had been conducted in the normal manner, and BS had been given full opportunity to make their views known; the CEGB had recognised its obligation to buy British where possible by repeating the tendering process when the first tender had failed to produce a suitable UK bid. He was not responsible for the French

Government's policy, but he understood that their utilities were chartering a Norwegian vessel for conversion in Marseilles. He emphasised that the CEGB were chartering, and not buying, this ship; that the cost of the contract was only 4 per cent of the £250 million UK share of the cross-channel cable contract; and that the Opposition should consider the effect on electricity prices of accepting a tender from a UK yard which was 50 per cent higher than the Korean tender. He quoted the MMC report which said that the CEGB generally pursued a buy-British policy where possible, and which reached the conclusion that the Board's "costs could have been lower .....".

The most difficult moment for Mr. Moore came when Anthony Nelson gave some support to the Opposition by questioning the Government's line on this contract.

7 February 1983



WM  
7/2

CEBI

DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ  
01-211 3932

Willie Rickett Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON SW1

7 February 1983

Dear Willie

My letter of 5 February <sup>with WR</sup> enclosed a draft of a statement that Mr Moore is to make to the House this afternoon.

I now attach a final version of the statement which has been drawn up in consultation with other interested departments. It does not differ in tone from the earlier version but has benefitted from a weekend's reflection.

Copies to to Sir Robert Armstrong, David Heyhoe, Murdo Maclean, Michael Pownall, Bernard Ingham, John Atty, John Rhodes, Brian Fall and John Gieve.

Yours ever  
Michael

M SEENEY  
Private Secretary

## CEGB VESSEL CHARTER.

In connection with the 2000 MW Cross Channel Electricity Cable project, the CEGB sought competitive tenders from a number of British shipping firms for the hire of a vessel to lay cables between England and France. The lowest tender was submitted by a British firm, International Transport Management of Middlesbrough from which the vessel will be chartered. I would emphasise that the cable laying barge will not be purchased or owned by the CEGB, but by the British firm concerned.

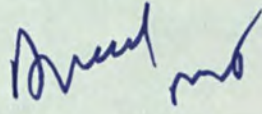
The CEGB must of course be conscious of its obligations to provide electricity as cheaply as possible. As a nationalised industry it is also conscious of the Government's wish that wherever possible it should buy British.

However, when the CEGB received the first tenders for this project some months ago, the price differences were so great it appeared inevitable that the shipbuilding work would go abroad. The Board, naturally concerned over this, then asked the firms to tender again, and expressed a clear preference - other things being equal - for vessels supplied by UK shipyards.

Regrettably, the second tenders showed such a huge price difference that the Board had no choice but to accept the bid from ITM, involving the construction of a vessel in a Korean yard. Other bids to the CEGB, I understand, were at least 50% higher.

The Government does, of course, provide financial assistance to help UK shipbuilding firms to gain orders, but even with Government assistance the difference in bids would have been unbridgeable. Honourable Members who have repeatedly stressed the importance to industry and consumers of low-cost electricity will understand this decision.

Questions on the shipbuilding industry, including matters relating to assistance from the Shipbuilding Intervention Fund are, of course, matters for my RHF the Secretary of State for Industry.

Korean Cable Laying Ship for the CEGB

Attached is the first draft of the statement that John Moore is intending to make on Monday after Kenneth Baker's statement on the liberalisation of BT.

As I mentioned this afternoon, the Opposition have made a formal request for this statement. I suggested to the Lord President's Office this morning that we should simply refuse this and let the matter come out in the Consolidated Fund Bill debate when it will be raised by Don Dixon. The Lord President felt, however, that a statement would be useful since:-

- (a) it would help him to refuse the Opposition's other requests for statements on Arms Sales to Argentina and the participation of British Banks in loans to Argentina;
- (b) it would help if the debate could be preceded by a statement in which the Government could set out its own case in its own terms;
- (c) there would be a row if we argued that the matter could be adequately dealt with in the debate when it will not be reached until the early hours of the morning.

He spoke to Nigel Lawson who reluctantly agreed that John Moore should make a statement.

As you will see from the attached, we have good arguments for saying that the Korean tender was by far and away the best on price and delivery. The nearest tender, from Harland and Wolff (which was for a conversion, not a new ship) cost about £4.5m more than the Korean bid of £9.3m, and had no guaranteed delivery date.  
/ There



There is something to be said for putting our case in a statement, but if you have doubts you might raise them with the Lord President at your Monday morning meeting.

WH

4 February, 1983.



DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ

01-211 3932

Willie Rickett Esq  
Private Secretary to the  
Prime Minister  
No 10 Downing Street  
London

4 February 1983

*Dear Willie*

The Lord President of the Council has proposed that a statement be made on Monday 7th February, concerning the charter by CEGB of a cable-laying vessel. A draft of the statement to be made by Mr Moore is attached.

It emerged earlier this week that in connection with the cross-channel electricity link the CEGB are chartering (not buying) a cable-laying vessel, from International Transport Management (ITM) of Middlesbrough. ITM are buying the vessel from Hyundai of Korea. I attach a summary of the bids.

The Board did not consult us before placing this order; Mr Lawson is taking this up with Sir Walter Marshall. We understand that the Board sent written confirmation to ITM immediately following their decision on 31 January, and that a firm contract exists between the Board and ITM.

The Chairman of British Shipbuilders wrote to Sir Walter Marshall on 14 January to seek a meeting about this order. The Board replied on 25 January that, as tenders were currently being assessed, a discussion would be difficult.

I am copying this letter to David Heyhoe, Murdo Maclean, Michael Pownall, Bernard Ingham, John Atty, John Rhodes, Brian Fall, and John Gieve.

*Yours ever*  
*Michael*

M SEENEY  
Private Secretary

DRAFT STATEMENT TO BE MADE BY JOHN MOORE MP, PARLIAMENTARY UNDER SECRETARY OF STATE  
FOR ENERGY, ON MONDAY 7 FEBRUARY

In connection with the 2000 MW Cross Channel Electricity Cable project the CEGB sought competitive tenders from a number of British shipping firms for the hire of a vessel to lay the cables between England and France. The lowest tender was submitted by a British firm, International Transport Management of Middlesborough from which the vessel will be chartered. I would emphasise that the cable laying barge will not be purchased or owned by the CEGB, but by the British firm concerned.

I understand that when the Board first invited tenders some months ago, it became apparent that any shipbuilding work that might arise would be likely to go overseas. The Board accordingly asked the firms concerned to retender, expressing a clear preference - other things being equal - for vessels supplied by UK shipyards. In the retenders it became apparent that tenders to hire vessels based on ships supplied from UK shipyards were still not competitive. The successful tender from ITM proved to be lower than any of the other bids by more than 50%. In view of the substantial margin the Board accepted the lowest bid.

The Government does of course provide financial assistance to enable UK shipbuilding firms to gain orders, but there will always be some cases where, despite this, orders go overseas. Detailed questions on the industry, including possible assistance from the Intervention Fund are, of course matters for my RHF the Secretary of State for Industry and for his Department.



*Energy*

2 MARSHAM STREET  
LONDON SW1P 3EB

*I remonstrated  
with Mr Heseltine's  
office and Mr Shem's  
office about this  
decision, but left it  
to them.*

My ref:  
Your ref:

1 April 1981

*Dear Tim*

SELLINDGE

The Secretary of State minuted the Prime Minister on <sup>26</sup> March about the decision which he and the Secretary of State for Energy had reached in respect of the planning application made by the CEGB for the construction of a power converter station at Sellindge.

It is intended that the decision letter will be received by the interested parties tomorrow (Thursday 2 April) to coincide with publication of the Inspectors' report. The two Members most concerned, Keith Speed MP and Sir Albert Costain MP have been informed and Sir Albert specifically requested that no Parliamentary announcement should be made. Mr Speed agreed. The Secretary of State is therefore disposed not to table a written PQ but to make the announcement by issuing a press notice which explains the full background to the inquiry and associated feasibility studies.

*Yours ever*

*Jeffrey Channing*

J P CHANNING  
Private Secretary

Tim Lankester Esq

APR 1981



COMPILED

file

Emery dl

~~be Mr. Higham~~

**CONFIDENTIAL**



10 DOWNING STREET

*From the Private Secretary*

27 March 1981

Your Secretary of State minuted the Prime Minister on 26 March about the CEGB's AC/DC converter station which is to be built at Sellindge near Ashford, Kent. The Prime Minister has read this minute, and agrees that planning permission for the station should be announced. But she has suggested that Mr. Keith Speed MP (who, I believe, is the MP for the place in question) should be warned.

I am sending a copy of this letter to George Walden (Foreign and Commonwealth Office), Ian Ellison (Department of Industry) and Julian West (Department of Energy).

**J. P. LANKESTER**

David Edmonds, Esq.,  
Department of the Environment.

**CONFIDENTIAL**

2.

210

Prime Minister

CONFIDENTIAL

agree that planning permission for this AC/DC converter station should be announced?



TPL, 26/3

26 March 1981

Prime Minister

I am writing to let you know that I intend to announce very shortly that David Howell and I have given planning permission, on appeal, to the CEGB to build a very large AC/DC converter station at Sellindge near Ashford, Kent. This will be the English end of a cross-Channel electricity link with France for which investment approval was given by the Government on 17 July 1980. When that approval was announced David Howell and I asked the CEGB to explore the feasibility of a cable route into Dungeness to see whether there was a possibility of an alternative site there for the Converter Station.

After the survey was completed we re-opened the public inquiry. In their report, which we shall publish soon with our decision, the Inspectors concluded that a route into Dungeness was not feasible. In the circumstances David Howell and I agreed that the national need for the station outweighs the environmental objections. The decision will, however, be strongly opposed locally.

There is great urgency for a decision as the French have indicated that if the Sellindge site is not approved by 31 March they will be obliged to meet their needs by other power station developments.

I am copying this minute to Peter Carrington, Keith Joseph and David Howell.

*Isnt it Keith Sneed's constituency?*

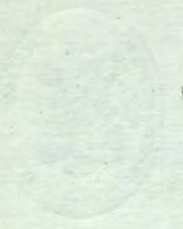
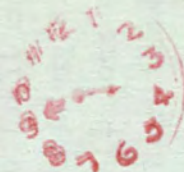
*Oughtn't he to be warned?*

*no*

*Keith*

MH

26 MAR 1957





Derbyshire	8,211
Devon	7,414
Dorset	4,468
Durham	6,051
East Sussex	4,789
Essex	13,303
Gloucestershire	4,617
Hampshire	12,863
Hereford and Worcester	5,715
Hertfordshire	9,676
Humberside	8,891
Isle of Wight	986
Kent	12,894
Lancashire	12,857
Leicestershire	8,325
Lincolnshire	4,852
Norfolk	5,954
North Yorkshire	6,028
Northamptonshire	5,230
Northumberland	2,837
Nottinghamshire	9,323
Oxfordshire	4,541
Salop	3,621
Somerset	3,331
Staffordshire	10,084
Suffolk	5,178
Surrey	8,012
Warwickshire	4,461
West Sussex	4,936
Wiltshire	4,679

#### School Leavers (South Kirklees)

**Mr. Richard Wainwright** asked the Secretary of State for Education and Science how many children are expected to leave school in the coming summer in the area of South Kirklees.

**Dr. Boyson:** I regret that this information is not available in my Department. I suggest that the hon. Member contacts the local education authority.

#### School Meals (Dorset)

**Mr. Beith** asked the Secretary of State for Education and Science what discussions his Department has had with the Dorset county council about its proposal to cease to maintain a school meals service for primary school age children.

**Dr. Boyson:** Officials from the Department met officers of the Dorset county council on 9 July to ascertain the background to the recommendation to discontinue the paid school meals service for primary school children in the county.

#### Trade Unionists (Training Grants)

**Mr. Proctor** asked the Secretary of State for Education and Science if he will publish a breakdown by recipient institutions of the grants listed in his answer, *Official Report*, 8 July, column 135.

**Dr. Boyson:** Grant is paid on the basis of claims made by the Trades Union Congress on its own behalf and that of its affiliated members towards eligible categories of expenditure set out in the agreed memorandum of arrangements. In 1979-80 some £725,000 of the total grant was shared by 39 affiliated unions. My Department does not collect information about the amounts paid to individual educational institutions as fees or in other ways by the TUC or its member unions.

### ENERGY

#### Gas and Oil Prices

**Mr. Harold Walker** asked the Secretary of State for Energy if, in view of the further information supplied to him by the Chemical Industries Association in its document "Supplies and Price of Gas to the Chemical Industry—Some Further Considerations", he will now publish revised and up-dated comparative figures for gas and oil prices for industrial consumers in each country of the European Economic Community showing prices both net and inclusive of taxes.

**Mr. Norman Lamont:** I shall reply to the hon. Member as soon as possible.

**Mr. Harold Walker** asked the Secretary of State for Energy what steps he is taking to eliminate unfair competition within the European Economic Community arising from differentials of gas and oil prices for industrial consumers.

**Mr. Gray:** I shall reply to the right hon. Member as soon as possible.

#### Cross-channel Link

**Mr. Chapman** asked the Secretary of State for Energy whether he is yet in a position to give final investment approval to the Central Electricity Generating Board's proposed 2,000 mw cross-channel link with Electricité de France.

**Mr. David Howell:** I have today given the CEBG final investment approval for the cross channel link, initially for the first 1,000 mw stage. Approval for the second 1,000 mw stage will be given in step with French Government approval.

My right hon. Friend the Secretary of State for the Environment and I have decided to examine an alternative cable route before a final decision is reached

on the CEGB's proposal to build the converter station for the link at Selridge, Kent. We have asked the board to proceed urgently with this work so that a decision on their planning application can be taken as quickly as possible.

tion from other sources, where non-taxpayers are included. In the connection I refer the hon. Member to the answer by my hon. Friend the Parliamentary Under Secretary of State for Social Services to the hon. Member for Wood Green (Mr. Race) on 6 May 1980.

## NATIONAL FINANCE

### Personal Taxation

**Mr. Field** asked the Chancellor of the Exchequer, pursuant to his reply to the hon. Member for Birkenhead, *Official Report*, 4 June, column 734, if he will make a statement on the large number of single men with children receiving additional personal allowance; what is his precise understanding of the term one-parent family as used in that question; and whether this understanding is consistently used by Her Majesty's Government in replies to parliamentary questions.

**Mr. Peter Rees:** As stated in the reply to which the hon. Member refers, the figures quoted there for one-parent families with children were based on numbers of taxpayers claiming child tax allowances in 1977-78, and not on the numbers claiming the additional personal allowance. Based on the same year, it is estimated that about 140,000 male taxpayers with single personal allowances also benefit from the additional personal allowance and that about 260,000 female taxpayers with single personal allowances benefit similarly. Virtually all of these would currently pay tax at the basic rate.

From tax sources it is possible to identify one-parent families only by reference to the tax allowances claimed. In general, the child tax allowance depends on maintenance of the child and the additional personal allowance on residence of the child, but this is not uniformly the case. Both allowances can be split between separated parents and it is also possible that the parent who can derive most benefit from the allowance will arrange with the other parent to claim it. Moreover, a man living with a woman to whom he is not married is not entitled to the married allowance, but may be eligible for the child tax allowance and the additional personal allowance where the household includes children.

A definition based on receipt of tax allowances necessarily does not correspond exactly with that used for informa-

### Members of Parliament (Salaries)

46. **Mr. Arthur Lewis** asked the Chancellor of the Exchequer what would be the actual or estimated increase in the cost of living and inflationary spiral caused by the full implementation of the Boyle committee report on hon. Members' salaries, and on the basis of a 9.6 per cent. increase, respectively.

**Mr. Biffen:** The rate of inflation will be reduced by the Government's policies to control and reduce the rate of monetary growth, but if unnecessarily high levels of unemployment are to be avoided, the overall level of pay increases must be reduced, decisions on the Boyle committee report must be seen in that context.

### Cumbria

47. **Mr. Campbell-Savours** asked the Chancellor of the Exchequer what additional resources from the EEC will be available for application in the county of Cumbria consequent upon the measures being taken to reduce the United Kingdom's net contribution to the Community.

**Mr. Lawson:** Detailed arrangements for implementing the agreement on reducing our net contribution to the Community budget have still to be agreed, and it is too early to say what expenditure programmes in the United Kingdom will be associated with the Community's supplementary measures scheme. But the Government have made it clear that the extra receipts from the Community will not increase the overall level of public expenditure.

## ENERGY

### Fuel Oil Prices (International Comparisons)

**Mr. Eggar** asked the Secretary of State for Energy what duties are imposed on fuel oil in £ sterling equivalents in the United States of America, Japan and the other European Economic Community countries.

*of the byline*



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ  
01 211 6402

*You asked  
about this  
earlier in  
the week  
MS*

*Energy 2*  
*1. Mr Giddens*  
*2. Mr P... ..*

*For answer tomorrow.*

*72*

*14/7*

The Rt Hon Sir Keith Joseph Bt MP  
The Secretary of State for Industry  
Ashdown House  
123 Victoria St  
London  
SW1E 6RB

15th July 1980

*Dear Keith*

CROSS CHANNEL ELECTRICITY LINK

We decided in E(EA) on 12th June to give the CEGB investment approval for the proposed Cross Channel Link, subject to their making off-setting savings in their investment programme. I was asked to re-affirm to the Board that liability for compensation in the event of withdrawal from the scheme, even at Government behest, was a commercial matter for them, and that there was no commitment of any kind to compensation. We also agreed that it would be appropriate to give approval for the first 1000 MW in the first instance and to give approval for the **second 1000 MW tranche** at the same time as the French Government did so. An announcement of this decision was to await the decision which Michael Heseltine and I had to make on the CEGB's planning application to build a converter station for the link at Sellindge, Kent. We have now decided to request a further investigation of a possible cable route to an alternative site at Dungeness, before we finally decide on the site.

*U* I therefore propose to announce both the investment approval and the handling of the planning decision on 17th July by means of an arranged Parliamentary Question and Answer. I attach the text of this, the substance of which has been agreed with Michael Heseltine and cleared at official level with the Treasury and FCO. I also attach the text of the letter I am sending to the Chairman of the CEGB, in line with our decision. Arrangements are being made through the FCO for HM Embassy in Paris to inform the French Government.

I am sending copies of this letter and its enclosures to our colleagues in E(EA) and to the Prime Minister and the Paymaster General.

*Yours ever*

D A R Howell

ARRANGED PQ

Q TO ASK THE SECRETARY OF STATE FOR ENERGY WHETHER HE IS YET IN A POSITION TO GIVE FINAL INVESTMENT APPROVAL TO THE CEGB'S PROPOSED 2000 MW CROSS CHANNEL LINK WITH ELECTRICITÉ DE FRANCE?

A I have today given the CEGB final investment approval for the Cross Channel Link, initially for the first 1000 MW stage. Approval for the second 1000 MW stage will be given in step with French Government approval.

My Rt Hon Friend the Secretary of State for the Environment and I have decided to examine an alternative cable route before a final decision is reached on the CEGB's proposal to build the converter station for the Link at Sellindge, Kent. We have asked the Board to proceed urgently with this work so that a decision on their planning application can be taken as quickly as possible.

CONFIDENTIAL



SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ

01 211 6402

G England Esq  
Chairman  
CEGB  
Sudbury House  
15 Newgate Street  
London EC1H 7AU

17 July 1980

*John Slyn*

CROSS CHANNEL LINK

In their letters of 15 November 1979 and 2 June 1980, the Board asked for investment approval for the proposed 2000 MW Cross Channel Link to be jointly owned and constructed by the Board and Electricite de France (EdF). I am now writing to give investment approval for the project, initially for the first 1000 MW tranche. Approval is given on the understanding that the costs of the link from 1981-82 onwards will be offset by savings elsewhere in the CEGB's programme. I should be grateful to receive your confirmation of the Board's acceptance of this point. Approval for the second 1000 MW tranche will be given pari passu with French approval; arrangements have been made for the French Government to be informed of this through HM Embassy in Paris.

I understand that construction and operation of the Link is to be governed by contractual agreements between Board and EdF. Acceptance of liabilities for compensation arising out of these agreements is, of course, a commercial matter for the Board. There can be no question of any Government commitment to compensate the Board, even if it is a Government request which precipitates the liability.

I would like to be informed if any substantive changes are proposed in these agreements.

Together with the Secretary of State for the Environment, I have considered the Inspectors' report submitted following the public inquiry into the Board's proposal to construct the converter station for the Link at Sellindge, Kent. We are today sending the attached letter (together with a copy of the Inspectors' Report) to the parties to the inquiry.



- 2 -

You will note that we have decided to ask the Board to carry out a survey of the geology of the sea bed to examine the feasibility of running the cables from the Varne Bank to Dungeness. This amounts to the investigation referred to by the Board in their evidence recorded at paragraph 1.129 of the Inspectors' Report. I hope that you will be able to complete this work quickly.

D A R HOWELL

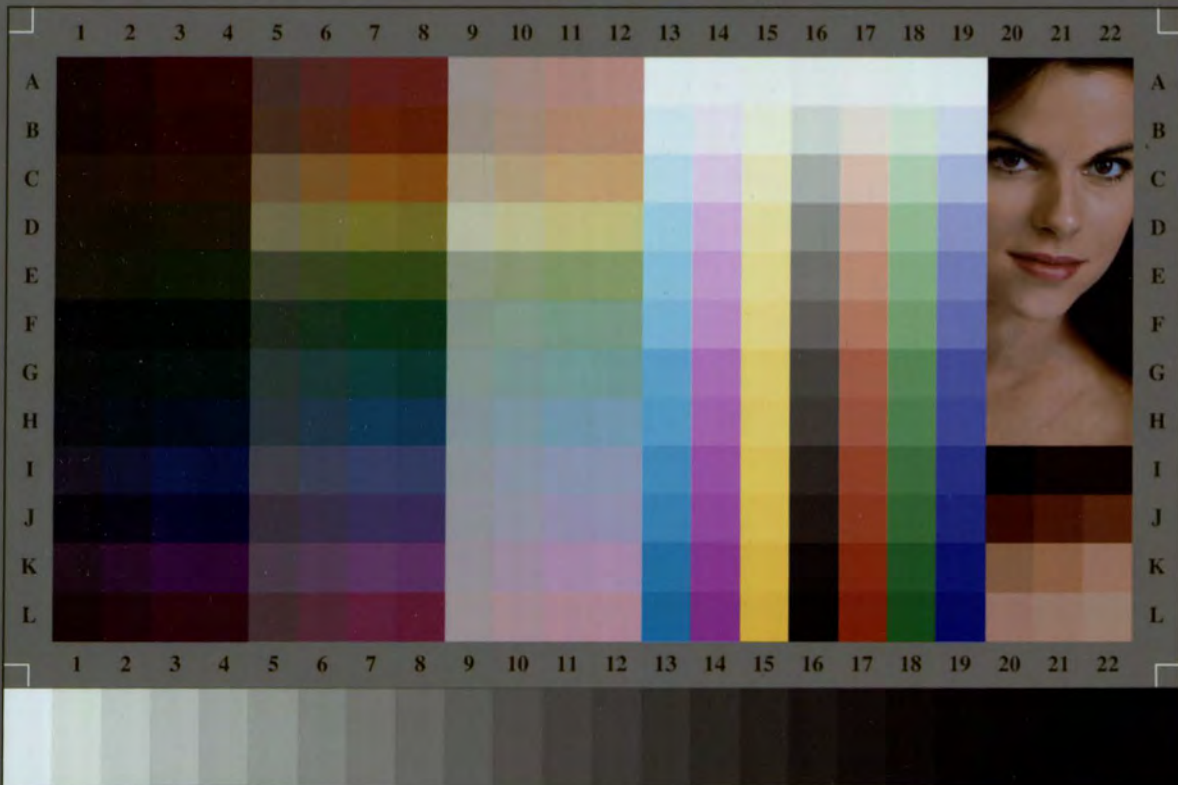
*Howell*  
*David*

15 JUL 1980



KODAK Q-60 Color Input Target

C M Y



IT8.7/2-1993  
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](ftp://ftp.kodak.com/gastds/q60data)

Q-60R2 Target for  
KODAK  
Professional Papers

