

SOS/R No. 42/79

NOTE OF A MEETING BETWEEN THE SECRETARY OF STATE FOR ENERGY AND  
SIR JOHN KING OF BABCOCK & WILCOX LIMITED HELD AT 16.30 HOURS ON  
28 JUNE 1979 IN ROOM 1237 THAMES HOUSE SOUTH, MILLBANK, SW1.

Present:

Secretary of State,  
PUSS (Mr. Lamont MP),  
Mr. Wilson,  
Dr. Burroughs,

Sir John King,  
Mr. T. Carlisle.

The Secretary of State opened the meeting by thanking Sir John for his letter of the 21st June and then explained that he now wanted to make rapid progress on the re-organisation of the nuclear industry. Sir John said that these discussions had been going on for a number of years. This was why he had made the more radical proposals in his letter. He thought that re-arranging the shareholding as the CEGB wanted was not enough. Mr. Carlisle added that what was wanted was a power business which attracted good people. This required a comprehensive re-structuring of the industry but not one that went as far as including the question of the future of Barnwood. In his view there was no need to extract the design/architect team from Barnwood in order to achieve such re-structuring. Anyway it was probably not worth trying to tackle the question of Barnwood as part of the re-organisation given that the CEGB would insist on maintaining a capability to be a "well informed customer".

2. The Secretary of State asked whether the re-organisation proposed by Sir John required a steady ordering programme. Sir John observed that with such a programme there was some chance of achieving a viable company. The recent experience of trying to combine Babcocks and Clarke Chapman as recommended in the CPRS Report demonstrated the difficulties of achieving such a rationalisation without a steady ordering programme. The work provided by the two AGRs was not enough. In his view a minimum



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programme was probably something of the order of 1000 MW per annum for any type of nuclear plant. This would require the generating boards to make a definitive statement of their replacement programmes and for the construction industry to pool its resources. Against such a background it was probably best to stick with the AGRs as a switch to the PWRs would mean substantial delays in the domestic programme and no realistic hope of export orders.

3. Mr. Wilson asked whether the series ordering of the AGR would require major new safety work. Sir John said that this would not be necessary. What was needed was an up-dating and modernisation of the existing design over and beyond that ordered for Heysham and Torness. This would not involve a major re-design. Furthermore, the continued manufacture of AGRs would exploit the advantage of the turbines being interchangeable between nuclear and conventional fossil-fired plant.

4. The Secretary of State asked whether Babcocks had a future in the UK nuclear industry if a decision was taken to build PWRs. Sir John said that the company might not have any future as its Renfrew plant had many advantages for building AGRs but would require major investment to make PWRs. Furthermore, the economic case for PWRs was less clear after Harrisburg. While AGR costs would rise, PWR costs could well go up much more to meet consequential safety requirements.

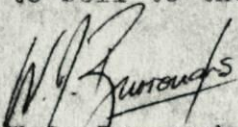
5. Mr. Lamont asked what were the prospects of reducing the construction time of nuclear plant. Sir John noted that getting approval for new stations was a major element in current delays. When series ordering was adopted improvements in construction time should be achieved. Moreover, site management should be rationalised with increasing experience.

6. In summing up the discussion, the Secretary of State thanked Sir John for his advice. He would carry on with his consultations with all parties in the industry with the aim to reach an early decision on the future of the nuclear industry.



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This was aimed at defining where the industry should be going beyond the construction of Heysham and Torness. It would of course be for the Government to make up its mind about political problems of justifying any nuclear decision. While it was accepted that the construction of AGRs might be easier to sell to the public, the PWR option must be given proper weight.



W.J. Burroughs,  
PS/Secretary of State.

4th July 1979.

Circulation:

PS/PUSS (Mr. Lamont),

PS/PUS,

Mr. Tucker,

Mr. Manley,

Mr. Monger,

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