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PRIME MINISTER

Qa 04242

To: MR SANDERS

From: SIR KENNETH BERRILL

Would you like me to
to make Ken Berrill's
point?

MS 14/8

Nuclear Power Policy

1. The Secretary of State for Energy minuted the Prime Minister on 10 August on giving a new thrust to the United Kingdom nuclear programme.
2. The minute covers the four main elements (size of the UK ordering programme: PWRs; fast reactors; and the reorganisation of the nuclear industry). It is in very general terms and promises reports on each of these issues in the early Autumn.
3. But there is one section (paragraph 3) on the reorganisation of the nuclear industry which suggests that the Secretary of State is thinking of a rather limited role for the reorganised industry, and if the Prime Minister is thinking of replying to the Secretary of State's minute she might consider asking Mr Howell to set out the arguments for and against different dividing lines between the nuclear industry and the CEGB. The CPRS believes that there is a case for at least considering such an alternative which can be briefly set out as follows.
4. The need to re-create a dynamic and forward looking UK nuclear industry has been recognised for some years but the means of achieving this have been the subject of much bickering. The National Nuclear Corporation (NNC) is a deeply unhappy organisation which has been losing its best employees at a crippling rate.
5. What is required is:

an organisation strong enough to stand up both to the electricity supply industry (essentially the CEGB) and the Atomic Energy Authority. The ad hoc arrangements agreed between the NNC and the CEGB/SSEB for building the two new AGR stations at Heysham

The trouble is
one buyer
No industry can
be efficient in the
face of CEGB's
vagaries.

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and Torness is an unsatisfactory compromise forced on the NNC because it had to be admitted that the NNC was not competent to take full charge of the operation:

- a new relationship between the public and private sector shareholdings. (Some public sector involvement is almost certainly required because of the safety and security aspects of nuclear power. In any case, it is doubtful if the private sector interests would be willing or able to support a completely privately owned NNC):
- the recruitment of a strong and independent management team that is not under the influence of directors representing the interests of the shareholding companies. Until the new organisation is defined it will not be possible to recruit the sort of management talent which is required.

6. An ambitious solution, but one that has a lot of appeal, would involve the creation of a 'turnkey' power station construction company. That is to say, an organisation capable of taking full charge of both design and construction. Such a company would have two divisions: a Design Authority responsible for the design and supply of nuclear reactor systems, and an Architect Engineering Authority (on the style of the Bechtel organisation in the USA) responsible for power station design (nuclear and fossil), procurement of the major systems (turbine generators, civil engineering, and so on) and overall on-site management of construction.

7. This ambitious solution would involve amalgamating the NNC with a small part of the CEGB (i. e. its Barnwood establishment) under one management. The electricity supply industry would oppose such a proposal (as would the public sector unions at Barnwood). But the reduction in the scope of the CEGB's responsibilities (which is what they would dislike) is one of the attractions of the proposal! Another is that it would be an exciting

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development, capable of attracting the right sort of top management talent into NNC. A third reason is that it would hold out the prospect of improving the appalling record of delays in power station construction in a way which the ad hoc arrangement for building Torness and Heysham AGRs are unlikely to achieve.

8. I attach a draft minute which, if the Prime Minister agrees, you might send to Mr Howell's Private Secretary.

9. I am sending a copy of this minute and attachment to Sir John Hunt.

KB

13 August 1979

Att.

I don't like this proposed "solution". Part of the trouble lies in C&G B and you would eliminate that trouble by an amalgamation with C&G R. Private industry can't flourish if its future is in the hands of one big guy. This is not true - nor is investment. We shall need a much more radical "solution" than this.

John King (Babeski) came to see me yesterday.³ I have asked David

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Wolfson to take up the several points with David Howell's department. no.

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DRAFT MINUTE FROM MR SANDERS TO DR BURROUGHS

Nuclear Power Policy

The Prime Minister has read your Secretary of State's minute of 10 August on nuclear power policy and awaits with interest the outcome of the various studies and discussions which are listed therein.

Nuclear power policy has many difficult aspects, not least the much needed reorganisation of the nuclear industry. Central to this is where the frontier should be drawn between the role of the CEGB and the role of the reorganised nuclear industry.

The Prime Minister would be grateful if, in putting his suggestions to his colleagues on where this frontier could best be drawn, your Secretary of State could set out the alternatives and the pros and cons.

I am sending a copy of this minute to the members of E Committee, and to Sir John Hunt.

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