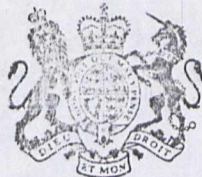


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10 DOWNING STREET

From the Private Secretary

17 September 1981

Dear John,

As you know, Dr. Walter Marshall, Chairman of the United Kingdom Atomic Energy Authority, called on the Prime Minister yesterday afternoon along with Mr. Stern of Westinghouse and Mr. Reinsch, President of the Bechtel Power Corporation. Your Secretary of State and Sir Robert Armstrong were also present.

Dr. Marshall said that he realised the timing of the meeting was not ideal because he had not yet had an opportunity to brief the new Secretary of State on the various issues relating to the PWR programme. However, Mr. Stern and Mr. Reinsch, who had been working with him on his steering group were only in London for a short time, and he wanted the Prime Minister to have the opportunity of hearing their views on the PWR. He was glad to report that the steering group had reached unanimous agreement on the basic design of the PWR for the UK programme. The design was not exactly the same as that adopted by the French, but it was broadly comparable; it would be accepted by the nuclear industry; it was economical; and it would meet the Nuclear Installations Inspectorate's safety requirements. They had made sufficient progress so that the CEGB would be able to publish their pre-construction safety report on 1 May 1982, and the NII should be in a position to report on 1 July 1982. He was absolutely confident that the NII would give their approval. It was now for the Secretary of State to announce the start of the public inquiry consistent with these dates. It ought, in his view, to be possible to start the public inquiry by October 1982. The nuclear industry had been asked by the steering group to reorganise their resources so as to ensure the rapid implementation of the programme. He was impressed by their response. In particular, the CEGB establishment at Barnwood was going to be effectively privatised: it was going to move from an inward looking to an outward looking establishment on the lines of Harwell. He recognised that the time-scale was tight, and that there were political considerations which Ministers would have to take into account before deciding on the timing of the inquiry. The crucial question was how much time should be allowed for comments between the publication of the two reports he had referred to and the start of the inquiry.

Mr. Reinsch said that Bechtel had been working with the National Nuclear Company for some time. As of April, they had been considering withdrawing because of the slow progress in putting together the PWR design. However, since Dr. Marshall had taken over, tremendous progress had been made; and together, they now had a project in which Bechtel were proud to be participating.

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CONFIDENTIAL

- 2 -

Bechtel and Westinghouse were now putting together a first class team to carry the project forward. Mr. Stern also paid tribute to Dr. Marshall, and said that in Westinghouse's view also, the prospects for the PWR were now excellent.

The Prime Minister said she was delighted to hear of the progress that had been made. As for the safety aspects, she hoped Dr. Marshall and his associates fully understood just how sensitive a matter this was. She was slightly surprised that Dr. Marshall was so confident that the NII would approve the design, even though the CEGB's pre-construction report was still some nine months off.

The worst outcome would be for the inquiry to start, and then for the Government to be criticised for not allowing sufficient time for representations on the CEGB and NII reports. So far, successive Governments had managed to convince the environmental lobby that nuclear power generation in this country was acceptable; but this was only because tremendous care had been taken of the safety aspect. It would, for example, make it easier to convince the public that the PWR was safe if, by the time the inquiry started, there were already in operation some new PWR units that had been built after the Three Mile Island accident. Having said this, she was still very keen for the programme to go ahead as fast as possible.

In response, Dr. Marshall explained that his confidence on the safety angle was based on the indications he already had from the NII on what their findings were going to be. Indeed, NII would be sending the Secretary of State early the following week a statement setting out the broad terms in which they intended to approve the design in their report. This statement, which had been negotiated over at length, had been approved by the Health and Safety Executive. The NII could never say that they were "totally satisfied" that a particular power station would always be safe. The main responsibility for safety on a continuing basis lay with the CEGB. All the NII could do was say that they had examined the design, and they had no objection on safety grounds of the construction proceeding. As regards Sir Alan Cottrell's earlier criticisms of the welding in the PWR, Cottrell had now published a book saying that if Harwell were satisfied that this problem had been successfully tackled, he was satisfied. As regards the Prime Minister's point about Three Mile Island, Mr. Reinsch said that several new PWR units would be on stream - in Korea, Japan and also in the USA - before the UK inquiry was likely to get underway. Mr. Stern added that the equipment at Three Mile Island had responded just as designed, but the man/machine interface had failed. The latest PWR design included new instrumentation to show more effectively any faults that might arise in operation.

The Secretary of State said that he would be discussing the PWR programme with Dr. Marshall shortly. He was extremely impressed by the way which Dr. Marshall had apparently taken a grip of the programme; like the Prime Minister, he was also most conscious of the safety aspects.

/The discussion

CONFIDENTIAL



# CONFIDENTIAL

- 3 -

The discussion then turned to exports and, in particular, the Guangdong project. Mr. Stern said that HMG should look seriously at the potential for exporting the PWR. Westinghouse had a strong interest in this for the following reasons. First, the US Administration's non-proliferation policy made it difficult for them to export from the US direct to a number of countries. Second, the policy of the Exim Bank was no longer so conducive to export financing. Third, the UK had trading links with some countries which were more favourable than the links they had with the USA. Fourth, unlike the USA, the UK offered re-processing facilities. A number of countries, for example in a recent case Finland, were only prepared to allow bids for nuclear plant from countries which offered re-processing. In practice, this meant France, the UK and Russia only. Fifth, EEC tariff barriers made it more difficult for equipment manufactured in the US to compete in Europe than if it were manufactured in the UK.

Mr. Stern went on to say that there was an immediate opportunity with the Guangdong project in China. Westinghouse and Bechtel were in competition for this project with the French company, Framatome. It seemed that the Government was giving its support to the Framatome proposal because of the components that would be built in the UK. However, a successful Westinghouse/Bechtel bid would result in a far greater amount of work for the UK. (Mr. Stern handed the Prime Minister two charts showing the much greater amount of work that the UK could expect if the project went to Westinghouse/Bechtel.) He thought it would be very difficult for the Government to defend a Westinghouse/Bechtel design for the UK while supporting the Framatome design abroad. Dr. Marshall added that he strongly supported the proposal that Westinghouse and Bechtel should design the Guangdong plant from the start so as to give the UK industry a major part of the action. Several months ago this would not have been a credible option; but in view of the progress that had been made on the UK design, it was now a real possibility. He had discussed it with Department of Industry officials who appeared to understand the force of the argument.

while The Secretary of State said that he was aware of the Guangdong issue; / there was not the same urgency as in the case of the decisions that had to be taken over the UK programme, he intended to look into it urgently.

I am sending a copy of this letter to Ian Ellison (Department of Industry), Francis Richards (Foreign and Commonwealth Office), John Kerr (HM Treasury) and David Wright (Cabinet Office).

J.D. West, Esq.,  
Department of Energy.

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