



SECRETARY OF STATE FOR ENERGY
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The Rt Hon John MacGregor MP
Chief Secretary
HM Treasury
Parliament Street
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Prime Minister 2
To note that Mr Walker
is making no bids for extra
resources in the Survey.

DWS

May 1986 29/5.

This letter of course does
not cover the nationalised
industries for which Mr Walker
is responsible.

I have been considering my Department's position with great care in the light of the guidelines you circulated under cover of your minute of 21 March to the Prime Minister.

There are severe pressures on my budget from many directions. The UK Atomic Energy Authority have identified the need for sharply increased expenditure in the coming years to meet the imperative need to deal safely with the radioactive waste materials arising from programmes carried out in the past on my Department's behalf. A particular difficulty is the need to find an alternative disposal route for wastes which it had been intended to dump at sea, now that this option has effectively been closed. The AEA point out with every justification that this difficulty arises from Government decisions, and is not of their making. My Advisory Council on Research and Development (ACORD) has argued strongly to me that valuable R&D should not be abandoned in order to meet these costs. More generally, while the Authority's requests to the Department for programme letter support were made before Chernobyl and did not involve any significant change in nuclear safety R&D, in the aftermath of that accident all the pressures will now be to step up our expenditure in this area.

We need to show that the Government is not neglecting energy efficiency and R&D into non nuclear forms of energy, as members of the Energy Select Committee recently accused it of doing.

The need for R&D into offshore safety remains, though there are beginning to be indications that it may be difficult to continue to secure large contributions to it from the oil industry. And it remains essential for the long term health of the UK offshore supplies industry that my Department join with them in R&D to help give them a technological "edge".



Nevertheless, after taking all these factors into account, and having carefully reviewed my priorities, I can tell you that I do not intend to seek net additional PES resources for my Department over the Survey period. We shall as usual deal with voted expenditure in support of the coal industry in the IFR context.

You should however be aware of one major uncertainty overhanging our administrative expenditure, relating to the need for my Department to vacate its current HQ building in a few years' time. We have virtually no control over this; the lease expired in 1982. At this stage we do not know when we will have to move out but our landlords (Thames House Estates) are pressing PSA for a latest date of around 1988-89. A number of possible buildings in which we might relocate have been identified, but there is uncertainty about the size of all of them, and about when they would be ready for occupation. At this stage it must be anyone's guess where and when we will end up, and what the cost will be - though PSA estimate the costs of fitting out any new building as up to £5 million or more.

I have seen Sir Robert Armstrong's minute of 1 May to the Prime Minister, in which he explains that with effect from 1 April 1987 major works such as the fitting out of our new building should be met from Departmental votes, subject to some exceptions. One of these exceptions is where the works are for Estate rationalisation. The fact that our departure from THS is forced on us, and that it facilitates a series of further moves in the Civil Estate suggests to me that our move is part of estate rationalisation. This means that the costs mentioned above should be borne by PSA, which is anyway the logic of the situation, since we have little or no freedom of action in the matter, and, left to ourselves, might make different decisions.

If however our move does eventually involve the Department in costs of the order suggested by the PSA, and, despite the considerations mentioned above, we are required to bear them, I will certainly need to seek the necessary additional funds from you, since it will be quite out of the question for us to absorb such costs within our already tightly constrained and relatively small administration vote.

I am sending a copy of this letter to the Prime Minister, and to Nicholas Ridley.

A handwritten signature in black ink, appearing to read "Peter Walker". The signature is stylized and written in a cursive hand.

PETER WALKER

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