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Secretary of State for Trade and Industry

8 October 1984

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Tnames House South
Millbank
London SW1P 4QJ

D. Peter

REVIEW OF THE AEA

You sent me a copy of your minute of 14 September to the Prime Minister enclosing a copy of the report on the review of the UK Atomic Energy Authority. I have also seen the Prime Minister's and the Chief Secretary's comments.

2 I, too, support the general objective of putting the AEA on a more commercial basis, but am concerned about a couple of the consequential of what is proposed.

3 I note that the report recommends that the nuclear industry should bear a greater proportion of the AEA's nuclear research costs. Since most of these costs will fall on the electricity supply industry with possible implications for electricity prices, I welcome Peter Rees's assurance that these costs will be taken into account in setting the external finance for the electricity industry.

4 The report also suggests that the costs of the AEA's underlying nuclear research programme should be recouped through a surcharge on all contract customers which would include this Department's contracts for non-nuclear work. If this recommendation is implemented, I could not accept that this Department should absorb the extra costs, particularly since the support for non-nuclear work is solely designed to help the AEA exploit existing nuclear research for non-nuclear purposes, and

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the Department is not therefore a customer in the usual sense. However, in this context I welcome Peter's assumption that positions are reserved on the question of programme increases to cover any extra costs arising from the review's recommendations.

5 I am copying this letter to the Prime Minister, Keith Joseph, Michael Heseltine, George Younger, Patrick Jenkin, Peter Rees and to Sir Robert Armstrong.

Norman

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Energy March 84

Review of the AEA



12 OCT 1984