



Treasury Chambers, Parliament Street, SW1P 3AG

Secretary of State for Energy  
Thames House South  
Millbank  
LONDON  
SW1P 4QJ

9 October 1984

*Dear Secretary of State*

**AEA REVIEW: FINANCIAL IMPLICATIONS**

Thank you for your letter of 5 October about the AEA Review.

2. I am grateful to you for pushing ahead quickly with consultations on the Review so that colleagues can reach a view on it before the end of this expenditure round.

3. It was only to be expected that the nuclear industry would be cautious about taking on additional funding commitments. But, as you say, there is no reason to drop the report's recommendations for transferring funding of thermal reactor and underlying research.

4. As you will know from our discussion in Cabinet last Thursday we still face a very difficult position on public expenditure. I shall, therefore, need further savings if I am to meet the targets we agreed in July. There are two points about your analysis that worried me:

(a) Analysis by our officials indicates that some £37m should be transferred to customers by 1987-88. This figure allows for a small amount of continued funding of safety work by your Department if this proves necessary. It must be right to plan public expenditure on the full savings, otherwise the customers will not think we are serious.

(b) There is no reason why two major components - thermal reactor and underlying research - cannot be transferred by 1985-86. The figures are already known. Assuming colleagues endorse the recommendations it is little more than an accounting exercise to arrange the transfers over the next five months. If AEA will be busy later with setting up the



Trading Fund, it is surely sensible to get this out of the way now.

5. I have already said that we can take account of the extra costs to CEGB in setting their EPL and Financial Target. It would avoid the need for later adjustments - which they always dislike - if we decide the transfer now. Officials have discussed how any minor variations will be coped with subsequently. I am content with the form of words they agreed.

6. Your letter did not mention the other savings I sought on fusion and efficiency, or the bids you have made for the fast reactor and BNFL's pre-1971 wastes. So that we do not have to trouble colleagues with these details, I will not press further for a net reduction for these items if you would agree savings on the AEA Review of:

1985-86	1986-87	1987-88
20	25	37

That would then avoid our having to go over all the figures at the meeting in the week of 15 October to discuss your paper on the Review.

7. I am sending a copy of this letter to Sir Robert Armstrong.

*Yours sincerely*  
*Peter Rees*

for PETER REES

*[Approved by the Chief Secretary]*