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FROM: PETER REES
DATE: 12 October 1984

PRIME MINISTER

THE AEA REVIEW

I have just seen Peter Walker's ^{attached} paper on the Review of the Atomic Energy Authority (E(NI)(84)17) which we are to discuss on Monday.

2. I was surprised by his rejection of the Review's recommendation that funding for thermal reactors and most general safety work should pass to the nuclear industry. As you will see from the attached correspondence, Walter Marsahll left the door open to picking up these costs if suitable Parliamentary statements could be made about the Government's philosophy. I cannot see that need by an obstacle.

3. The Review Group concluded (paras 30 and 36) that the Generating Board (and British Nuclear Fuels) are the beneficiaries of all the research on thermal reactors and much on general safety; and that they should therefore, in principle, pay for it. For Government to continue to provide block grant of £18m a year, as Peter now proposes, would run contrary to customer/contractor principles.

4. As Peter's paper indicates, his officials and mine have provisionally estimated that a total of £37m could be transferred to customers by 1987-88. On that basis I have proposed savings of:

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

These figures, which allow for his Department to fund a small about of safety work were only £5-7m higher in the last two years than Peter's own figures. His latest proposals are much lower. The gap is £19m in 1985-86. I accept that the Trading Fund will have to await legislation, but there is no practical obstacle

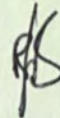
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transferring some funding in 1985-86. My proposals to MISC 106 take account of the additional costs that would fall to the CEGB (though I believe there to be offsetting savings available). The cost to Scottish Electricity has already been taken into account in my discussions with George Younger. Only a small sum - under £2m in total - would fall to other colleagues programmes (Defence, Trade and Industry, Employment and Environment). Since most of their figures have already been settled, I am prepared to agree increases in their 1985-86 Estimates for the amounts involved.

5. Figures for the later years could be verified during next year's public expenditure exercise. If E(NI) could agree to the principles of how to proceed, then I would hope that Peter Walker and I could settle the detailed figures for his Department.

6. A copy of this minute goes to other members of E(NI), Michael Heseltine and Keith Joseph and to Sir Robert Armstrong.



for PETER REES

[Approved by the Chief Secretary]

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