



10 DOWNING STREET

From the Private Secretary

File M

SHZAHID

APPS

16 May 1985

CL MASTER SET

Dear Michael

SIR ROBIN NICHOLSON AND UKAEA

The Prime Minister held a meeting this afternoon to discuss the Chairmanship of UKAEA. Present were the Secretary of State for Energy, the Chancellor of the Exchequer, Sir Robert Armstrong and Mr Gregson.

The Secretary of State for Energy said Sir Robin Nicholson had the qualities to make an excellent chairman of the AEA. It was essential to appoint highly regarded people to the chairmanships of UKAEA and BNFL if the Government was to prevail in the nuclear debate. He had discussed the possible appointment with Sir Robin and a number of difficulties had emerged. Sir Robin argued that if he were to take on the job he would want to be assured that UKAEA would be allowed to enter into manufacturing ventures which made use of the non-nuclear expertise which UKAEA acquired in the course of its main activities.

In discussion, it was agreed that such technology transfer was desirable but there were objections to allowing UKAEA to expand the scope of its activities into manufacturing. The possibility that some of its ventures might turn into loss-makers also had to be considered. An alternative approach was being investigated, that of allowing UKAEA to licence the exploitation of its know-how in return for royalties or levies. The Government would shortly be receiving advice from Deloitte on this. It was argued, however, that there might be situations where an equity stake would be preferable and that it might therefore be appropriate to allow UKAEA to take a minority stake in joint manufacturing ventures. A limit of say 25 per cent could be set which would give UKAEA the right to a place on the Board of the venture.

The Secretary of State for Energy said Sir Robin Nicholson had also raised the understanding between UKAEA and CEGB on what form of research CEGB would commission and finance from UKAEA. Negotiations on this issue were continuing and Sir Robin Nicholson had discussed this with Sir Walter Marshall. It would be wrong, however, to pre-empt these negotiations in the process of settling Sir Robin's terms of appointment.

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Summing up the discussion, the Prime Minister said Sir Robin Nicholson was a highly suitable candidate for the chairmanship of UKAEA. Ministers could not accede entirely to his proposals. She would see Sir Robin to explain to him that, while supporting the principle of technology transfer, the Government was awaiting advice from Deloittes on whether this could be achieved by royalties and levies. The Government would prefer this route but if this was shown not to be practicable, Ministers might be prepared to consider allowing UKAEA to take a limited minority stake in manufacturing enterprises to exploit its non-nuclear expertise.

BF
I will arrange for such a meeting but would be grateful if the Department of Energy could prepare a speaking note, agreed with the Treasury, which the Prime Minister could use in speaking to Sir Robin.

I am copying this letter to Rachel Lomax (H M Treasury), and Richard Hatfield (Cabinet Office).

*Yours sincerely
Andrew Turnbull*

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Michael Reidy, Esq.,
Department of Energy

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