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 HMT } response
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 and note by Sir R. Nicholson

PRIME MINISTER

As you know, I am very anxious to have first-rate people leading the CEGB, British Nuclear Fuels and the Atomic Energy Authority. I believe Robin Nicholson is such a person as well as being someone you know and trust.

Andrew Turnbull sent me a note of your discussion with Sir Robin Nicholson on Friday. Reading the notes of the meeting I wonder if we shouldn't take advantage of his opening phrase when he said he was by nature "a private sector person".

I wonder therefore if we could appoint Robin on the following basis. He would understand that transfer of technology by royalty arrangements would suit us best. But if there were examples where he could persuade us that the best route was to develop it by AEA equity participation, normally a minority holding but exceptionally up to 50%, we would be ready to accept that. There would however be a clear understanding in such cases about the point at which the Authority would dispose of its holding to the private sector, the transfer of technology having been achieved. This realisation would then help to release funds for other joint venture activity or normal investment by the Authority.

It does strike me that with such a programme, which I believe we could appropriately reflect in the legislation, we could have the prospects of spinning off further Amersham Internationals from the Authority, if usually on a smaller scale, and certainly Robin is someone I would trust to achieve this. He is right to say that was a strikingly successful example of technology transfer to the private sector.



I hope too that you will challenge Robin's picture of a stark choice between expansion and contraction for the AEA. I think it is the nature of the proposed Trading Fund that there will be both expansion and contraction, as happens in any major successful business. A good manager must be able to organise both. There are areas where the AEA should release staff and capital, just as there are areas of potential growth, such as joint ventures based on Harwell which we are now discussing.

I am naturally now most anxious to bring this matter to a conclusion and so perhaps when Robin has presented you with his paper we could discuss it very speedily.

I am copying this minute to Nigel Lawson and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'J. G. Dearhall'. The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

SECRETARY OF STATE FOR ENERGY

29 May 1985



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CONFIDENTIAL

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