



Secretary of State for Industry

Return to No 10

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

5 December 1980

Michael Alexander Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister *PM has seen*

*On the face of it, good news
indeed.*

Dear Michael

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LETTER FROM SIR LAWRENCE KADOORIE

... Sir Lawrence Kadoorie has asked this Department to forward the attached letter to the Prime Minister. It refers to two major power plant opportunities in Hong Kong and the neighbouring Chinese province of Guangdong.

2 The first is for an extension to the Castle Peak power station in Hong Kong. The current "A" station of 4x350MW is worth some £300m at current prices to GEC, Babcock Power and their sub contractors. The "B" station is projected to be of 4x660MW with a current value of £500m. As such it would be the largest power export contract ever awarded to the UK. The offer to enter a negotiated contract rather than engage in international competition is therefore of considerable significance. It will however require the UK to offer a package at least as attractive as that offered on the A station. This Department has to submit that package by the end of January. Within this very tight timescale my Secretary of State will be seeking the views of colleagues on the content of the total UK offer, probably in EX committee.

3 The second project is one on which Sir Lawrence has spoken previously to the Prime Minister and other Ministers. It is for a 2x900MW PWR nuclear station to be constructed in the Guangdong Province of the Peoples Republic of China on a joint basis between China Light and Power Co Ltd and the Guangdong Electricity Co. Potential UK hardware and possible fuel supply contracts could exceed £600m at current prices though it will be necessary to seek a nuclear island partner from either France or America. The French are already strong contenders for this contract. On this project also my Secretary of State would propose to seek the views of colleagues before

/the ...



the UK became committed to support the project in anything other than the general terms contemplated at present.

4 If the Prime Minister agrees, we will draft a response which looks forward to the prospect of continued successful co-operation on major projects. I am copying this to Roderick Lyne, Richard Tolkien, Nick McInnes and Julian West.

*Yours sincerely
Catherine Bell*

CATHERINE BELL
Private Secretary

Cables: "Kadoorie" Hong Kong
Telephone: 5-249221
Telex: 73427



*St. George's Building
Hong Kong*

December 1, 1980

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London S.W. 1
ENGLAND

Dear Prime Minister,

It gives me much pleasure to be able to write you again to give you good news.

We have just been informed by our associates, Esso Eastern, that the Board of EXXON has decided to participate in the development of our new 'B' power station at Tap Shek Kok.

This means that, subject to conditions being no less favourable than when we placed our order for 'A' station, we will be able to negotiate with British suppliers, through your Department of Industry, without the need to call for international tenders. I sincerely hope that this will result in a very substantial order for British industry.

Of more importance perhaps, in the light of its implications on the future of Hong Kong and of Sino-British relations, is the fact we have just completed a joint feasibility report with the Guangdong Authorities on the practicability of building a nuclear power station in Guangdong Province to supply power to both that province and Hong Kong.

I am glad to say that through personal contacts, and the close relationship developed by Mr. W.F. Stones of China Light & Power Company Ltd., with Mr. Chen Gang, Deputy General Manager of the Guangdong Power Company, we have placed the UK in a very favourable position should they wish to participate in this project which is of particular interest to the Chinese since it will be China's first nuclear power station. Here again, your officials have been kept fully in the picture.

With Season's Greetings and best wishes,

Sincerely yours,

Lawrence Kadoorie



10 DOWNING STREET

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THE PRIME MINISTER

19 December 1980

Dear Sir Lawrence,

Thank you for your letter of 1 December.

It is always a pleasure to receive good news from you on your exciting projects. The decision of the Exxon Corporation to participate with you on the Castle Peak B station augurs well for a continued successful relationship between the UK, Exxon and China Light and Power Company Ltd.

The Guangdong nuclear power station project continues to offer important prospects for co-operation between the UK, Hong Kong and the Peoples Republic of China. We will have to maintain the closest possible co-ordination if we are to build on the foundation which your hard work and that of Mr. Stones has established.

I know you will continue to maintain a close dialogue with officials in the Department of Industry on both these projects. You may be assured that I and my Ministerial colleagues will follow developments with the closest possible interest. I think we can all be proud of the progress we have achieved together so far.

Yours sincerely
Margaret Thatcher

Sir Lawrence Kadoorie, C.B.E., J.P.

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Secretary of State for Industry

H Kay
 DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

18 December 1980

Michael Alexander Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street
 London SW1

Type for signature
 as amended.

Amel

Dear Michael

LETTER FROM SIR LAWRENCE KADOORIE

In your letter to me of 9 December you noted that the Prime Minister welcomed the comments in Sir Lawrence Kadoorie's letter of 1 December. You asked for a draft reply for her to sign along the lines proposed in my letter to you of 5 December. I attach a draft.

...

2 My letter to you of 5 December briefly set out the background of the two projects referred to in Sir Lawrence's letter. You should also know that my Secretary of State will this week be circulating a paper from officials on the current state of play on the Guangdong nuclear power station project. As we enter the next phase on this project, the closest possible co-ordination will be necessary between Hong Kong, Peking and UK interests if we are to secure the major commercial and political benefits that could result from UK participation in this significant project.

3 I am copying this to Roderick Lyne, Richard Tolkien, Nick McInnes and Julian West.

Yours sincerely
Catherine Bell
 CATHERINE BELL
 Private Secretary



DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO SIR LAWRENCE KADOORIE

Thank you for your letter of 1 December.

It is always a pleasure to receive good news from you on your exciting projects. The decision of the Exxon Corporation to participate with you on the Castle Peak B station augers well for a continued successful relationship between the UK, Exxon and China Light and Power Company Ltd.

The Guangdong nuclear power station project continues to offer important prospects for co-operation between the UK, Hong Kong and the Peoples Republic of China. We will have to maintain the closest possible co-ordination if we are to build on the *foundation* base established through the *which you* insight and hard work of yourself and *that of* Mr Stones *has established.*

I know you will continue to maintain a close dialogue with officials in the Department of Industry on both these projects. *and* You may be assured that I and my ministerial colleagues *will follow* *Developments with* ~~will maintain~~ the closest possible interest. ~~in developments.~~ I think we can all be proud of the progress we have achieved together so far.

~~May I return the Season's Greetings to you and your wife.~~



19 DEC 1980

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9 December 1980

Letter from Sir Lawrence Kadoorie

The Prime Minister has seen your letter to me of 5 December and the enclosed letter to her from Sir Lawrence Kadoorie. She welcomes the comments in Sir Lawrence's letter and agrees that you should draft a reply for her on the lines you propose.

I am sending copies of this letter to Roderic Lyne (FCO), Richard Tolkien (HM Treasury), Nicholas McInnes (Department of Trade) and Julian West (Department of Energy).

MICHAEL ALEXANDER

Mrs. Catherine Bell~~o~~,
Department of Industry.

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