

PRIME MINISTER

STRUCTURE OF THE NUCLEAR INDUSTRY

You will wish to be aware of various developments affecting the structure of the nuclear industry. These are:

- Prime Minister*
Mr Walker mentioned his concerns to you recently
Content, subject to colleagues?
Yes not
AT 25/11
- i) a proposal that the CEGB should take more direct control of the Sizewell B PWR project management arrangements via a Project Management Board, whose Chairman would be a CEGB Board member with staff seconded from both CEGB and the National Nuclear Corporation (NNC)
- ii) the possibility of a Joint Venture Company, consisting of GEC, NEI and Babcock, with Westinghouse and NNC involvement, which would provide the station's crucial Nuclear Steam Supply Systems (NSSS).

I have discussed these ideas at length with the various interested parties, since they are crucial not merely to the success of the Sizewell project, assuming it goes ahead, but also to the future role of NNC, and to creating a stronger UK nuclear industry better able to compete in export markets.

As far as the Project Management Board is concerned, I have accepted that the CEGB/NNC proposals should be implemented. The present situation where NNC is supposedly acting as agent for the project but where the CEGB is pulling all the strings and duplicating much of its work, is not satisfactory, and has attracted criticism at the Sizewell Inquiry. I accept that the introduction of a new technology with which NNC has no previous experience makes an arms length relationship impractical. It is therefore better, and likely to lead to a greater degree of delegation, if CEGB has direct control but through a structure which formally separates the project management role from that of the client. Although some doubts have been expressed about these proposals by senior NNC staff, the Chairman of the CEGB and the Chairman and new Managing Director of the NNC are now agreed on what needs to be done. While there can be no guarantee that past rivalries will be fully buried,

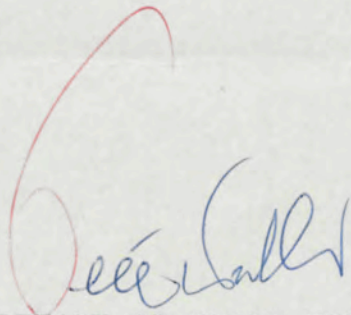


I believe that determined efforts will be made to make the new arrangements a success, and that on that basis I should back them. Provided that they are successful I do not attach too much weight to the argument that the morale of NNC staff will be impaired and that work on the AGRs at Heysham and Torness will be adversely affected. At present these two projects are running to time and cost and morale is high. Furthermore, the Chairman of NNC has assured me that he is determined to maintain NNC's AGR capability and Walter Marshall, for his own reasons, shares that objective.

The proposals do not require any formal government decision, but the CEGB will now be putting them forward in evidence at the Sizewell Inquiry, and will be cross-examined on them in due course.

As far as the Joint Venture Company is concerned, the situation is different. Although it could have advantage in terms of maximising the benefits to the British economy of the new PWR technology, the participants have not yet got their act together in a convincing way and do not speak with one voice. Although I am far from being persuaded on this issue, I intend to hold further discussions with them, and will let you know the outcome.

I am copying to E(A) colleagues and to Sir Robert Armstrong.

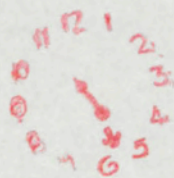


SECRETARY OF STATE FOR ENERGY

24 January 1984



24 JAN 1984



TO THE DIRECTOR

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bc. DP

JP



10 DOWNING STREET

From the Private Secretary

26 January 1984

STRUCTURE OF THE NUCLEAR INDUSTRY

The Prime Minister has seen your Secretary of State's minute of 24 January, setting out the steps he is taking on the structure of the nuclear industry. Subject to the views of colleagues, she is content with what is proposed.

I am copying this to the Private Secretaries to members of E(A) and to Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

Michael Reidy, Esq.,
Department of Energy.

JP

cc:AO
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

Peter Walker
note

STRUCTURE OF THE NUCLEAR INDUSTRY

A 3/1

I have read Peter Walker's minute of 24 January about the arrangements for project management of Sizewell B.

2. I can well understand why the CEGB decided that they should take more direct control of this particular project. While I am content with this, we should not conclude it is necessarily the best or only way of building PWR stations in the longer-term. From the point of view of competition and privatisation, it would be inherently undesirable for CEGB to have a long-term monopoly over new nuclear power stations.

3. John Moore is still waiting to see Peter Walker's draft paper for E(A) on the future of the Electricity Supply Industry. But in our view there are no insuperable obstacles to a greater measure of competition and private ownership in the longer-term. Possibilities include:-

(a) transferring existing nuclear stations to private sector power groups early (along with the conventional stations). This would allow them to gain experience and confidence on nuclear power operation before new stations were needed;

(b) allowing private sector generation groups to use US or French private contractors for PWR stations if



they wish (albeit to strict UK safety standards).
That would introduce a welcome degree of competition
and the Government would be distanced from political
problems that surround overseas purchasing by the
public sector.

4. No doubt Peter Walker will have several options to put before
E(A), but I thought it right to register the point now that the
decision on Sizewell B need not and should not constrain our
choices for the longer-term.

5. A copy of this minute goes to members of E(A) and to
Sir Robert Armstrong.

Margaret O'Hare

N.L.

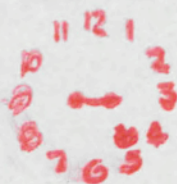
2 February 1984

*(approved by the Chancellor and
signed in his absence)*

Energy: Bling A8.



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NBPM
AT 2/2

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

Prime Minister

STRUCTURE OF NUCLEAR INDUSTRY

I have seen Peter Walker's minute to you of 24 January and your Private Secretary's letter of 26 January outlining your response.

I am broadly content with Peter's conclusions on project management's arrangement for the PWR. I must re-emphasise however the great importance which I attach to the completion on time and to budget of the Torness AGR station. SSEB is fully committed to the successful achievement of the project and is, understandably, most concerned about anything which, by distracting the staff of NNC, could delay it. Major slippage at Torness would, in my view, be damaging not just to the Board but more generally to our nuclear power programme and to the nuclear construction industry as a whole.

I retain some misgivings about the effect of the proposed NNC reorganisation on the AGR programme; but I am much reassured by what is said about the attitudes to the AGR programme of Sir Walter Marshall and Mr Frank Gibb. I am glad that they understand that preparations for Sizewell must not deflect NNC from the important work which they have on hand at Torness and Heysham.

I am copying this minute to Peter Walker and to the other recipients of his minute.

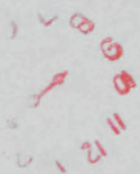
G.Y.

G.Y.

1 February 1984

Energy Policy Pt 8

BRITISH
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