

W.0743

10 October 1984

PRIME MINISTER

E(NI): REVIEW OF UK ATOMIC ENERGY AUTHORITY

In the 30-year existence of the UKAEA we have seen

(a) the UK slide from first rank to second rank position in civil atomic energy, especially in terms of the proportion of our energy needs generated by cheap nuclear power;

(b) the main customer for civil nuclear reactors (CEGB) forced to buy reactor types other than those it would have chosen on technical, operational and commercial grounds;

(c) negligible export of reactors designed or made in the UK;

(d) the consumption by UKAEA of more than £5bn (at current prices) of taxpayers' money.

2. During most of this period the UKAEA has, by virtue of the interest of its research and its employment conditions, creamed off a significant slice of the UK's R&D talent and created a substantial technological asset. Because of the failure of the civil nuclear programme and the small amount of technology transfer to non-nuclear activities, the contribution of this technological asset to the wealth-producing sector of the economy has been negligible.

3. This is a dismal record for which the UKAEA itself and the Department of Energy under successive Governments must be culpable. The present review of UKAEA was an opportunity to

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take a fresh look at the situation and to create the conditions for the development of an internationally competitive nuclear power industry and the proper utilisation of the UKAEA's technology base.

4. Unfortunately the terms of reference of the review and the composition of the review Group ensured that the voice of status quo dominated (paragraph 5 of the Report) and the opportunity has, for the moment, been lost. Nevertheless the recommendations are small and tentative steps in the right direction and you may wish to consider whether the present review should be followed at an appropriate time by one which is more broadly-based and can tackle the deep-seated problems I refer to above.

5. I have the following comments on the specific recommendations of the Report:

(a) I support the view that long-term strategic R&D on new energy sources such as the fast reactor (6(i)) is in the national interest and must, at least initially, be sponsored by Government until commercial interests can take over on a risk basis;

(b) Government and its agencies such as NII have a safety and regulating responsibility (6(ii)-(iv)) which requires an R&D activity independent from the commercial sector of the industry. This covers reactor construction and operation, and waste storage and disposal. I agree with Treasury that this should be done on a specific project basis under a customer/contractor relationship provided the Departments concerned become informed customers and Government recognises that some of the necessary research is intrinsically long-term.

(c) I support the move to a customer/contractor relationship (8) but the Department of Energy's proposal to become an informed customer by engaging "2-3 nuclear experts" (9) is laughable. The result would either be the status quo or

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a new form of cosy relationship between UKAEA and DEN. The Rothschild transfer of MRC funds to DHSS failed because DHSS did not take steps to become an informed customer and eventually this transfer had to be reversed. DEN could take advice from MoD on how to become an informed customer for R&D. My own view is that the Departmental experts will need to be backed by independent technical consultants perhaps drawn from an international arena. This might cost up to £1m pa but would be money well spent if it enabled DEN to choose the right R&D programmes.

(d) I am unconvinced by the arguments against privatisation (10,11) especially in the medium term but I accept the arguments against piecemeal privatisation (12). The UKAEA need not have monopoly status if international competition is allowed (as in MoD) and most of the other arguments are mechanics. The argument on 'special status' in the public eye is circular. The public will always see atomic energy in this way while Government accords it special status rather than bracketing it with other potential hazardous but private sector industries such as oil and chemicals.

(e) I support the Trading Fund proposal (14). It makes sense in its own right and is also an essential first step if eventual privatisation is envisaged. On technology transfer (18) I disagree that the prohibition of non-nuclear manufacturing is not a problem. Private sector contract R&D companies are increasingly using pilot manufacture and test marketing of new products and even minority equity holdings in joint ventures with manufacturing companies as means of better exploiting their innovations. The UKAEA will be uncompetitive if they are not allowed to act in a similar way. I suggest that the necessary legislative amendments are made at the same time as those required to set up the Trading Fund.

RBN

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Chief Scientific Adviser

Cabinet Office
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Energy: Review of UKAEA March 84

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MR TURNBULL, NO 10

E(NI) 15 October REVIEW OF UKAEA

- Attached is a minute to the Prime Minister on the UKAEA Review. I am sending it today because I have to go to an EEC meeting from which I will only return on Friday afternoon by which time the Economic Secretariat will have wanted to prepare the handling brief for E(NI) and the Policy Unit its own brief for the Prime Minister.

This early dispatch means that I have not seen whatever cover paper the Secretary of State for Energy wishes to put before E(NI). If, on my return, this cover paper requires me to change my own minute to the Prime Minister, I shall ask if you will substitute a new minute for the one attached.

Perhaps you could let me know on Monday whether my attendance at E(NI) is required.

I am copying this minute and the attachment to Peter Gregson, Nick Owen and Richard Hatfield.

RBN

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