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29 October 1985

MR ADDISON

THE PRIME MINISTER'S VISIT TO BNFL SITES AND HEYSHAM  
NUCLEAR POWER STATION

At the Heysham nuclear power station, the Prime Minister will meet Lord Marshall. In the light of his recent encounters with Peter Walker over the current public expenditure review, Lord Marshall may seek reassurance that the Government's policy on Sizewell and the next phase of the CEGB's nuclear programme hasn't changed. The background is as follows.

The ESI's initial bid was +£630 million over the three IFR years. All but £10 million of this was rejected. Belatedly, Lord Marshall came in with an additional bid for +£466 million over the 3 years. Sizewell accounted for nearly £200 million of this. Although the CEGB now assumes that the Sizewell B project will not start before Autumn 1986, a comprehensive review of the budget has increased the ultimate cost and shown a higher rate of expenditure during the early years. As a result, Lord Marshall wanted to provide an additional 25% for Sizewell B over the IFR period.

The Star Chamber has now settled the ESI's new baseline (+£76 million) with Peter Walker. The settlement calls for £170 million of unidentified savings, some rephasing of expenditure, and the revised planning assumption that Sizewell B will not be given the go-ahead until Autumn 1987.

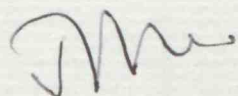
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This planning assumption is plausible, although probably on the long side. The preparation of Layfield's Inquiry Report continues to slip. We are unlikely to receive even preliminary documentation before the Spring of 1986.

Peter Walker has reiterated his understanding with the Star Chamber to Lord Marshall. Although the planning assumption for Sizewell B go-ahead has been revised, the Government's policy is unchanged. As soon as the Layfield Report has been submitted and properly considered, the Secretary of State will reach a decision. If this allows the Sizewell B project to proceed earlier than the Autumn of 1987, there will be a call on the contingency reserve.



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