

PRIME MINISTER

VISIT TO BNFL AND CEGB SITES ON FRIDAY 1 NOVEMBER

You are visiting four sites tomorrow in the North West, which will take you through the nuclear fuel cycle in the right order. Mr. Con Allday (BNFL Chairman) originally invited you to visit Sellafield, and this seemed a good opportunity to spread the net more widely. The tour was originally scheduled for August, but delayed in order to leave a sensible time between the conclusion of the BNFL Court case and the visit (the BNFL trial finished on 23 July).

Warm clothing, and preferably flattish shoes, will make for a more comfortable day.

The programme in outline is as follows:

0745	Depart No. 10
0830	Depart Northolt for Hawarden (Andover - coffee and croissants). Met by Mr Allday.
0930-1110	Capenhurst (tour enrichment plant)
1135-1300	Springfields (tour fuel fabrication plant)
1315-1500	Met by Lord Marshall at Heysham (tour Heysham II AGR under construction)
1525-1730	Sellafield (unveil plaque to open new fuel handling plant and say a few words - 5 minutes or so - in front of BNFL staff and guests).
1740	Depart Barrow for London (Andover)
1950	Arrive Chequers

Travel into and from all sites will be by helicopter. *Dr Cunningham MP (Environment Spokesman) is engaged at Sellafield; Mark Lennox-Bryd at Heysham.*

The attached briefing consists of the following:

Flag A Full programme for the day, divided into

separate sections for each site, including the names of the key people you will meet, and notes on over clothing. (Small diary cards for each site visit are ~~in the pocket~~ opposite).

- Flag B Press Office note on the itinerary and publicity arrangements.
- Flag C A short covering brief for the visit from Robin Nicholson, basic facts on BNFL, and a further factual note from Energy on nuclear power.
- Flag D Briefing from the Department of Energy including notes on:
- i) Capenhurst
 - ii) Springfields
 - iii) Heysham
 - iv) Sellafield
 - v) Lines to take on privatisation; re-processing; the civilian/military interface; AGR versus PWR; the proposal for the National Nuclear Corporation/Westinghouse Joint Company to work on Sizewell B; BNFL proposal to purchase a new ship to carry spent fuel from Japan; *a note on the outcome of Star Chamber discussions on electricity.*
- Flag E The Q&A material you approved and which has been sent to BNFL (this is a useful summary of key points to make).
- Flag F Speaking notes you may wish to draw on when unveiling the plaque at Sellafield.
- Flag G A note from Hartley Booth on environmental points.

For general background only:

- Flag H A BNFL explanatory booklet on the company generally.
- Flag I A BNFL booklet on Capenhurst, Springfields and Sellafield.
- Flag J A CEGB booklet on Heysham.

This tour gives you an opportunity to:

- i) plug the nuclear fuel production and reprocessing industry for its record on employment, exports, energy production and environmental protection (BNFL);
- ii) pat the CEGB on the back for keeping the construction at Heysham II to time and to cost so far - a major improvement on earlier UK experience in power station construction;
- iii) stress the Government's and the industry's commitment to making sure nuclear plants operate to the highest safety standards and meet them.

The awkward issues around, are:

- i) the recent BNFL case and Sellafield's record, and environmental issues more generally;
- ii) the AGR versus PWR debate;
- iii) the dismal UK performance in the past on building nuclear power stations to time and to cost (though the CEGB claim that

Heysham II is right on target and Torness, the other AGR under construction, is going all right).

Bad Weather

So far, the weather forecast for the NW tomorrow is reasonably hopeful: bright periods in the morning, followed by some showers, and rather cold.

The programme as planned involves fixed-wing ~~and~~ *helicopter* transport up to the North West and back, and *helicopter* between all the sites. If poor visibility means that helicopters cannot be used, we have agreed with BNFL and CEGB a fall-back itinerary, involving visits to Heysham and Sellafield only, and travel by car between them. In this case, the Andover would land at Wharton near Blackpool, and you would travel to Heysham by car. After an early, light buffet lunch at mid-day, you would travel on by car to Sellafield (a long journey, unfortunately, likely to take some 2½ hours). Return would be as in the original programme - by Andover from Barrow. If we have to opt for a two site visit, the aim would still be to leave for Northolt at 0745.

Of course, if the weather is so bad that the Andover is unable to take off, we shall let you know, after consulting Northolt, just after 0700. In that case, we shall have to see if any of the programme can be salvaged through delaying departure from Northolt.

Nigel Wicks and Bernard Ingham will be accompanying you on the tour.

Mark Addison

31 October 1985

LO3ANS

PRIME MINISTER'S VISIT TO BRITISH NUCLEAR FUELS
FRIDAY 1 NOVEMBER

0745 Depart No.10 for Northolt

Car 1 Prime Minister
Mr Wicks
Detective

Car 2 Mr Ingham
Miss Jelley

Police Car Detective

0830 Depart Northolt by RAF Andover

0930 Arrive Hawarden

Met by Mr Con Allday, Chairman and Managing Dir,
BNFL

0935 Depart Hawarden by RAF Puma Helicopter + Mr Allday
[Press helicopter will accompany party
throughout tour]

0945 Arrive CAPENHURST

Proceed to Visitors Centre
(Refreshments available)

0950 Met by:-

Neville Chamberlain (BNFL's Director for
(Enrichment)

Peter Roberts (Capenhurst's Gen. Manager)

Sign Visitors' Book

0955 Short presentation by Mr C Allday on Company
Short presentation on the work of the site by
Mr P E P Roberts
Short presentation on the commercial aspects of
Enrichment Division work by Mr L N Chamberlain

1015 Transfer to Centrifuge Assembly Plant
and tour plant
(Put on white coat and cloth overshoes)

1040-1105 Tour of Enrichment Plant

Coach to helipad

1110 Depart Capenhurst by helicopter + Mr Allday

1135 Arrive SPRINGFIELDS

Met by:-

Dr Horsley (General Manager)

reactor charge hall
control room
turbine hall

1450 Meet Press
 By minibus to

1500 Depart Heysham by helicopter + Mr Allday

1525 Arrive SELLAFIELD
 Car to Exhibition Centre [Tel:0940-28074]
Met by:
 Gordon Steele (Dir of Reprocessing)
 Proceed to Fuel Handling Plant for welcome
 (refreshments)

1540 Unveil plaque and short speech
 Presented with bouquet and gift from apprentices

1555 Tour Fuel Handling Plant & Site Ion-Exchange
Effluent Plant

1630 Visit THORP Viewing Platform with glass front to
 view construction work

1645 Depart for Assembly Room
Reception for industrialists and local VIPs -
 Mr Allday will present company gift.
 Sign Visitors' Book

1730 Depart Sellafield by helicopter + Mr Allday

1740 Arrive Walney Airfield (Barrow)

1745 Depart Barrow by Andover

1910 Arrive Northolt
 To Chequers:-
Car 1 Prime Minister
 Detective
Car 2 Miss Jelley
Police Car Detective
 To No.10:-
Car 3 Mr Wicks
 Mr Ingham

1950 Arrive Chequers

BAD WEATHER PROGRAMMES

A Helicopters Unable to Take-Off

0745 Depart No.10 for Northolt

Car 1 Prime Minister
Mr Wicks
Detective

Car 2 Mr Ingham
Miss Jelley

Police Car Detective

0830 Depart Northolt by Andover

0935 Arrive Warton (Blackpool)

No.10 Car: Prime Minister
Mr Wicks
Detective

Police Cars: Mr Ingham
Miss Jelley
Detective

BNFL Car: Mr Allday (Chairman and Man. Dir)

1035 Arrive Heysham

1220 Depart Heysham (cars as above)

1450 Arrive Sellafield

1655 Depart Sellafield (cars as above)

1800 Arrive Walney Airfield (Barrow)

1805 Depart Walney by Andover

1930 Arrive Northolt

To Chequers:-

Car 1 Prime Minister
Detective

Car 2 Miss Jelley

Police Car: Detective

To No.10:-

Car 3 Mr Wicks
Mr Ingham

2010 Arrive Chequers

BAD WEATHER PROGRAMME cont

B Helicopters Unable to be used until Capenhurst

0930 Arrive Hawarden by Andover
Police Cars to Capenhurst (5 miles?)
Revert to programme above

1110 Depart Capenhurst by helicopter
Programme as above

No.10 CAR

(Overnight at Preston Police HQ)

Fine Weather programme: Meet Helicopter at Heysham and
tour plant.
Then standby at Preston Police HQ
until Party leave for London.

Bad Weather programme: A - Meet Party at Warton and follow
programme A

or

B - As for Fine Weather Programme

CONTACT PHONE NUMBERS:-

Wing Commander Mike Barham: 218-6073
Wing Commander S.J. Coy: 218 6644
Duty Officer, Chester Police: 0244 315315
[Capenhurst/Hawarden]
Duty Officer, Lancashire Constabulary: 0772 614444
[Warton/Heysham/Springfield]
Duty Officer, Cumbrian Police: 0768 64411
[Barrow/Sellafield]

BNFL

up to 0800 Roy Pilling 0565 830 400 (Home No.)
from 0800 Jenny Woodhouse at Sellafield 0940 280 69

CEGB - early morning

Stan Newey (Headway Hotel Morecambe) 0524 412 525

At Heysham 0524 55511



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CAPENHURST

Capenhurst is the British arm of an Anglo/Dutch/German marketing organisation called "URENCO"

POINTS TO MAKE

- 1 Congratulate BNFL on the success of its centrifuge enrichment programme and the part it has played in establishing URENCO, a first class international collaboration.
- 2 Welcome URENCO's recent export achievements; it has recently won major contracts in the USA and Sweden.
- 3 Note that URENCO's technology is the most efficient process in the world, ahead of the USA and France.

BACKGROUND

- 4 The fissile content (U_{235}) of uranium is enriched from natural levels (0.7%) to about 3% to improve the efficiency of reactors. Enriched uranium is used in the UK's AGR programme and abroad in light water reactors such as the PWR.
- 5 BNFL enriches uranium by passing uranium hexafluoride gas (UF_6) through a series of centrifuges which separates the lighter U_{235} isotope from the remainder. The centrifuges are designed and built to the highest standards using advanced techniques and will work continuously at high speed for 10 years.
- 6 The centrifuge programme was developed jointly within URENCO the UK, German, Netherlands partnership. BNFL has a one-third stake. Research and Development is still jointly funded and URENCO is also responsible for all marketing.
- 7 The partnership is only concerned with civil nuclear power. However, BNFL is separately building a centrifuge plant for the Ministry of Defence at Capenhurst.
- 8 The Divisional Director is Mr Neville Chamberlain and the the plant manager Mr Peter Roberts.



SPRINGFIELDS

POINTS TO MAKE

- 1 Springfields has a key role in the fuel cycle, supplying fuel for all our nuclear power stations.
- 2 Recognise the efforts of all concerned to meet the demands of the AGR stations and, in particular, to ensure that fuel for the new stations at Torness and Heysham II is on time.

BACKGROUND

- 3 At Springfields BNFL first processes raw uranium to make it suitable for enrichment or fabrication into finished fuel. It also carries out fabrication of all the fuel for the UK's Magnox and AGR stations and two Magnox stations in Japan and Italy.
- 4 The site is working at full capacity to produce AGR fuel for existing stations and to meet accelerated deadlines for the first fuel loads for Heysham and Torness.
- 5 Springfields has a monopoly of AGR and Magnox business and has, in addition, won significant export business in the competitive market for uranium processing. The Company has recently built a new light water reactor (LWR) fuel plant but has yet to obtain overseas orders because of the difficulty of breaking into an oversupplied market without a proven track record.
- 6 The Divisional Director is Mr Tony Stephens and the plant manager Mr Michael Horsley.



HEYSHAM 2 AGR NUCLEAR POWER STATION

Introduction

1. Heysham 2 has 2 x 660MW generating units and is based on a development of the Hinkley Point 'B' AGR design. Construction of main foundations commenced in August 1980 and after five years, the project has maintained its original programme and budget.

Construction Arrangements and Responsibilities

2. The CEBG's Generation Development and Construction Division (GDCD) based at Barnwood, provides overall project management and is also directly responsible for work outside the nuclear island. The National Nuclear Corporation (NNC) supplied the overall station design and is responsible for the systems engineering of the nuclear island, for which it manages contracts as the CEBG's agent.

3. Construction progress has benefited from a series of measures taken by GDCD to promote good construction performance. These include:

- (a) Definition of all significant design features before commencement of construction.
- (b) The establishment of the Heysham 2 Management Group (membership of which is a contractual commitment for main contractors) which has considerably influenced the harmonisation of site employment policies and practices.
- (c) Extensive use of double day-shift working to secure programmed rates of completion.

4. The Director responsible is Mr Brian Powell, Director of Station Design, GDCD. The Project Manager is Mr S F Newey and the Site Manager, Mr A R Kershaw.

Contractors and Site Workforce

5. Main contractors include:

Civil engineering	Taylor Woodrow
Turbine-generators	NEI Parsons
Cabling	Matthew Hall
Control & Instrumentation systems	NEI Electronics
Pressure vessel liners and gas baffles	Whessoe
Boiler systems	NEI Nuclear Systems
High pressure pipework	Aiton
Gas circulators	Howden
Fuelling machine	Strachan & Henshaw
Graphite core	Union Carbide/Fairey Engineering



6. The site workforce peaked in mid 1985 at just under 6,500 (1500 staff and 5,000 industrial employees).

Construction Progress

7. The project is on target to begin supplying substantial commercial output in the first part of 1987 from the first unit and one year later from the second unit.

8. Progress and industrial relations have been good, although in 1982 problems arose on the first reactor from industrial action by Whessoe workforce against the principle of double day-shift working. These difficulties were successfully resolved and a recovery programme was implemented to bring the first reactor back on target.

9. The second reactor continues to progress ahead of programme.

Commissioning Progress

10. Good progress has been made in setting to work various auxiliary systems including electrical power supplies, auxiliary boilers, water treatment plant and the circulating water system. All eight gas circulators in the first reactor have been run and commencement of full reactor combined engineering tests on the first unit is imminent.

Costs

11. The estimated cost to completion remains within the original sanction of £1251M (including initial fuel). Including cost escalation to September 1985, the estimate becomes £1680M.

Operational Benefits

12. When completed, Heysham 2 will bring immediate operational cost savings through displacing fossil fuel up to the equivalent of some 2.5 million tonnes of coal a year. By contributing to the diversification of the fuel sources of the CEGB, which is reliant on coal for over 80% of its output, Heysham 2 will also assist the security of supply and provide some insurance against future real increases in the cost of fossil fuels. In addition, Heysham 2 will contribute materially to maintaining the nuclear share of generation as the earlier (Magnox) nuclear stations begin to reach the end of their useful lives in the 1990s.

Implications for Sizewell 'B'

13. The progress of Heysham 2 and Drax Completion within programme and budget reinforces the Board's case that Sizewell 'B' can be built to time and cost. The Board's approach to construction of Sizewell 'B' builds on the strategies which have proved successful at Heysham 2 and Drax, particularly the arrangements for site management and industrial relations.



HEYSHAM I

14. Initial operation of Heysham I and Hartlepool AGRs during the miners' strike disclosed technical problems which limit availability and output. To rectify these problems will involve significant capital expenditure. The latest estimate for the two stations is £119 million over the next 3 years. Without this output would be 5 Terawatt hours lower by 1988/89, and because some of the problems are safety related means that some of the expenditure may be necessary in order to ensure that the Nuclear Installations Inspectorate can allow continued operation of the stations. Heysham 2 has a different design and there are no implications for its cost or performance.



SELLAFIELD

POINTS TO MAKE

- 1 Welcome the high priority BNFL are giving to environmental matters (SIXEP £130m, POND 5 £315m, Waste Treatment Plants £700m).
- 2 Congratulate BNFL on its export record. The Company has won over £2.5 billion of reprocessing business from Japan, W Germany and others).
- 3 Recognise BNFL's major contribution to employment in the North West.

BACKGROUND

- 4 Sellafield is BNFL's largest site. Here the Company reprocess spent nuclear fuel from the UK's Magnox power stations and those in Japan and Italy. A major construction programme is well underway to build the THORP reprocessing plant, at a cost of £1.3 billion, for AGR and overseas PWR fuel and to extend facilities for processing and reducing nuclear wastes. Construction of THORP to time and cost is a key objective for the Company.
- 5 The two plants to be opened by the Prime Minister, POND 5 and SIXEP will make a significant contribution to environmental protection.
 - i) POND 5, which cost over £315m will provide facilities for the receipt, storage and decanning of Magnox and AGR fuel prior to reprocessing. Care has been taken to control fuel corrosion in the Pond and hence reduce radioactive contamination and there are improved methods of decontaminating and remotely maintaining equipment.
 - ii) SIXEP (the Site Ion Exchange Plant) built at a cost of £150m started operation earlier this year. The plant removes radioactivity from discharges of water from the spent fuel storage ponds.



6 Control of the environmental impact of Sellafield is a key task for the Company and an essential element in recovering public confidence. The site has been under close public scrutiny for the last two years. In November 1983 a discharge of radioactive liquid to sea caused some contamination of the local beaches. BNFL were prosecuted earlier this year by the Crown and found guilty on four counts; however, in his summing up, the judge praised the quality of BNFL's management and stressed that nobody had in fact been harmed by the incident. The Company was fined £10000.

7 An independent inquiry by Sir Douglas Black into claims about an increased incidence of cancer in the vicinity of Sellafield found no evidence of any general risk to health for children or adults living near the plant when compared to the rest of Cumbria and gave a 'qualified reassurance' to the local people.

8 Sellafield directly employs 6,200 and, indirectly, supports around 60,000 jobs in the UK, particularly in the North West.

9. To provide a forum for the representation of local interests the Company participates with DoE, MAFF, NII and local bodies on the Sellafield Local Liaison Committee. A recent move by Copeland Borough Council for the Committee to have a direct line to a Government Minister is being rejected as unnecessary by DoE.

10. The Divisional Director is Mr Gordon Steele, the General Manager of Calder Works Mr Maurice Wyatt, and of Windscale Works Mr Graham Smith. The Director of Reprocessing Engineering is Mr Jack Clarke.



BNFL: GENERAL ISSUES

POINTS TO MAKE IF RAISED

Privatisation

We have no plans at present to sell shares in BNFL. [Mr Walker in answer to Mr Orme, 17.12.84].

The need to reprocess

Only Magnox fuel is reprocessed at present. Since none of the stations except Wylfa have stores capable of holding fuel for more than a limited period, reprocessing is a technical necessity. Cessation would entail closing the Magnox stations at significant cost to the electricity consumer. Oxide fuel (such as AGR fuel) will be reprocessed in THORP. This was decided following the Windscale public inquiry. [PM in answer to Mr Deakins, 18.1.85]. [Background : The Select Committee on the Environment are looking at this issue.]

Civil/Military Interface

No plutonium from the reactors of the CEGB and SSEB has been used for weapons purposes. The Government has no plans to use plutonium from the Generating Boards' reactors in weapons.

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AGR v PWR DEBATE

Line to take (only if raised)

- Supporters of the PWR and of AGR have had a full opportunity to put their cases to Sizewell Inquiry. Inspector is now weighing all the evidence. Must await his report. Cannot comment at this stage.

Background

1 The Prime Minister will be aware of support for the AGR by members of the Lords (eg Lord McAlpine); she has also had recent correspondence with a PWR supporter (Lord Weir). The Chairman of the SSEB (Mr Don Miller) is also mounting a pro-AGR campaign following his evidence to the Sizewell Inquiry. The main strands of the AGR v PWR debate are set out below. To a large extent the arguments hinge on differing technical judgements and the Prime Minister is recommended to avoid being drawn into discussion as the matter is under consideration by the Sizewell Inspector.

2 In December 1979 the Government endorsed, as had the Labour Government in 1978, the CEGB's intention to establish the PWR as a valid option for the UK; and made clear its wish that, subject to the necessary consents and safety clearances, the next power station order should be for a PWR.

3 The CEGB subsequently sought consent to construct a PWR of a Westinghouse design at Sizewell B. Their application has received wide-ranging scrutiny at a Public Inquiry. The Department of Energy, in its evidence to the Inquiry reiterated HMG's support, in principle, for the PWR as the next power station order. The CEGB have expressed their hope, should they receive consent for Sizewell B, of building a "minimum family" of 4 replicate stations so as to spread the launching costs of the new system. They have not ruled out the possibility of constructing further AGR stations but this is clearly not their preferred option. They have, however, stated that they would ensure that the AGR option was kept open at least until the end of the decade (eg through funding of design work).

4 The CEGB's preference for the PWR rests primarily on their assessment that:

- (a) it has substantially lower capital costs per unit of electricity than the AGR and is capable of generating cheaper electricity;

/(b)

CONFIDENTIAL

- (b) it is the proven mainstream worldwide technology, with some 150 reactors in operation worldwide, compared to 5 AGR stations exclusively in the UK.

5 The SSEB have, however, argued in evidence to the Sizewell Inquiry that the CEGB have under-rated the AGR and that despite problems with other AGR designs (eg that at Heysham I, which has different boilers) performance of the AGRs at Hunterston and Hinkley Point, together with encouraging progress at Heysham II and Torness, have proved the worth of the system.

6 The SSEB argue in particular that the CEGB's assessments of the capital cost, capacity, availability and lifetime of the AGR are unreasonably pessimistic and that if "reasonable" values were taken the PWR would lose its advantage over the AGR. (For example, they consider that the AGR's economic lifetime should be taken as 35 years, as for the PWR, rather than the 25 years currently proposed by the CEGB). They fear that the CEGB's adoption of the PWR would inevitably lead to the withering away of the AGR option, given the limited scale of future nuclear orders. They see merit in sticking with a familiar system and believe it would be imprudent to change technologies at this stage.

7 The CEGB do not accept the SSEB's technical judgement. They regard the AGR record to date as uncertain and lay stress on the international track record of the PWR, which they believe can be successfully transferred to this country. Over 90% of the work content of Sizewell B would be placed with the UK firms.

8 Moreover, if a further family of AGRs were to be proposed, the system might need modification to meet today's safety requirements. Although the protagonists of the AGR stress its useful intrinsic safety characteristic - the low power density of the core means that changes take place at a slow pace, giving time to respond in the face of any unexpected incident - the Nuclear Installations Inspectorate (NII) would expect to re-examine the system's robustness to certain external hazards - with consequent uncertainties both for the timescales and costs of construction. The PWR, in contrast, with higher power density in the core, relies upon automatic systems to control the reactor in the face of unexpected incidents. A number of additional control systems have been introduced into the Sizewell B design and it has been subjected to close scrutiny by the NII.

9 The Sizewell Inspector, with the assistance of his technical assessors, is currently weighing up the CEGB's case for Sizewell B, and the extensive evidence put before him by both sides of the AGR/PWR debate. His report to the Secretary of State for Energy is awaited.



PROPOSAL FOR NNC-WESTINGHOUSE JOINT COMPANY

1 Proposals are under consideration by the Secretary of State for Energy that NNC and Westinghouse should form a joint company to carry out work on the Nuclear Steam Supply System of Sizewell B and replicate PWRs (provided consent is forthcoming).

2 NNC consider that by working alongside Westinghouse - the CEGB's chosen licensor, an experienced PWR constructor and holder of the main primary circuit contract for Sizewell B - the transfer of PWR technology to the UK will be most effectively achieved.

Prime Minister.

Mr. Brittan has not yet considered his response to this. But few new etc will need to be

"Of course, I very much hope this is an order we will win, and which ^{01 211 6402} will bring jobs to the

The Rt Hon Leon Brittan QC MP
Secretary of State
Department of Trade & Industry
1 Victoria Street
LONDON
SW1H 0ET

British shipbuilding industry. I know that BNFL are still discussing the matter, reaching out our officials."

- PS/PUS (Goodlad)
- PS/PUS
- Mr Manley
- Mr Morphet
- Mr Hirst
- Mr Haddrill

22 October 1985

BNFL

The Chairman of BNFL has informed me that the Company's Shipping subsidiary PNTL will shortly take a decision on where to place an order for a new ship to carry spent fuel from Japan to Sellafield. I understand that a Japanese yard, Mitsubishi, has submitted a bid some 30% below that of Sunderland Shipbuilders. BNFL expect that the minority Japanese shareholders in PNTL will put considerable pressure on the Company to accept this bid. BNFL are also concerned about the need to maintain good relations with the Japanese because they hope to secure more reprocessing business from Japanese utilities.

Clearly, in spite of the difficulties, we must explore all possible options for securing this order for the UK. I have therefore asked BNFL not to take the placing of this contract any further until there has been time for consultation between our officials and the Company. In the meanwhile I would welcome your views on the position of British Shipbuilders.

I am copying this to the Prime Minister.

P.S. The Japanese are I am told obtaining a very large subsidy from their Government

PETER WALKER

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PUBLIC EXPENDITURE: ELECTRICITY

Background

Line to take

Prime Minister.

(i) You will not wish to say any of this to the press.

(ii) To Lord Marshall, you will probably wish to avoid going into the kind of detail.

MEA 31/10

It is satisfactory that the external financing requirements for the electricity industry have now been settled in the Star Chamber.

2. It was a great pity that the CEGB had felt it necessary to introduce a major additional bid at a late stage in this year's discussions. It is particularly disappointing that some of the AGRs (including Heysham I) are still requiring large scale capital expenditure to put them right. The need for expenditure to improve endurance is appreciated.

3. Although some of the savings in the IFR settlement were found on the Sizewell programme, there has been no policy change with respect to the project. Indeed there is still approximately £500 million provided for it in the IFR period. The working assumption underlying the settlement is that consent will not be given until Autumn 1987, and that the expenditure pattern for the purposes of the Autumn Statement and the Public Expenditure White Paper should be adjusted accordingly. But the Board will be expected to be ready to proceed with the project with all due speed at any time if the Government so decides.

~~the amount of the expenditure in 1987 will be approximately £500 million~~

4. It is important that no contracts are let ahead of Ministerial decisions and that draft contracts are tautly negotiated.



Background

Key figures

£ million	1986-87	1987-88	1988-89	TOTAL
Baseline	-1447	-1487	-1524	-4458
Industry original bid	+169	-124	+568	+613
Industry revised bid	+135	+155	+176	+466
Industry total bid	<u>+304</u>	<u>+31</u>	<u>+744</u>	<u>+1079</u>
Savings	<u>-273</u>	<u>-229</u>	<u>-501</u>	<u>+1003</u>
of which CEGB capital	-163	-219	-181	-563
of which Sizewell	-132	-166	-66	-364
Final agreed external financing requirements	-1416	-1685	-1281	-4382