Energy

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CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A05391

4th August, 1981

At a meeting of Ministers today, the Prime Minister enquired about progress on bringing the PWR nuclear generating system through its hoops to the construction stage. It was suggested that progress could be held up because of insufficient resources in the Nuclear Accident Inspectorate, and that in order to avoid this delay the NAI needed to recruit another 10 to 14 Inspectors. Douglas Smith said that this problem was being vigorously pursued. Various possibilities were being considered, including the possibility of moving people with suitable qualifications from other inspectorates.

The Prime Minister said that for various reasons we had lost many years in the development of our nuclear energy programme, and it was very important not to lose any further time. It would not be acceptable to hold up the development of the PWR and its bringing into construction for the sake of a dozen inspectors in the NAI. If necessary, people ought to be brought in on short-term contract for this purpose. She would welcome an early report on what steps are being taken to make sure that this delay is not allowed to occur.

I am sending copies of this letter to Ian Bancroft, Donald Maitland and Tim Lankester.

ROBERT ARMSTRONG

Sir Kenneth Barnes, KCB

Prime Minister

2

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

- 3 JUL 81

Dear David

Thank you for your letter of 27 March about the Sizewell 'B' PWR inquiry.

I welcome the timely consideration you are giving to this. The issue whether to have a PWR at Sizewell is likely to prove exceptionally controversial and attract widespread and strong objection. It is therefore essential that the arrangements should command public confidence.

I go along with your view that there should be a single-stage public inquiry in this case, but many influential groups will be arguing for a two-stage inquiry on grounds of the need for prior consideration of the more general issues. This point can be met only by providing an advance opportunity for debate at the national level on issues of nuclear power policy. For this reason I welcome your proposal for a White Paper, but I do think it should, so to speak, have green edges, and that interested bodies and individuals should be invited to put their views on policy to the Government. The sequel to this stage of the process could be a Parliamentary debate in which the Government indicated its broad conclusions on policy as a framework for the Sizewell inquiry. But it would be important to avoid expressing those conclusions so firmly as to appear to pre-empt all argument on the need for or safety of a PWR. I appreciate that from a procedural standpoint the Sizewell inquiry should be directed solely to the question of the appropriateness of a PWR at Sizewell, but it would be unrealistic to proceed on that assumption and it could well prove disastrous to confidence in the inquiry if we appeared to have decided in advance what to most objectors will be the central issues.

Assuming that we go for a single-stage inquiry, it is important for it to be carefully prepared; at least two, and possibly three, pre-inquiry meetings may be needed. The first of these might take place towards the end of this year to identify and introduce the main participants and establish their basic stance, to take note of statements of Government policy, and to identify

areas of agreement, matters requiring the production of evidence, further research, and so on. A second meeting in, say, early summer 1982 might introduce the report by the Nuclear Installations Inspectorate, pick up the further evidence identified as needed at the first meeting and enable the Inspector (if he wished) to produce an agreed list of issues to be discussed at the inquiry. It would then remain only to determine the order of appearances and other functional matters at, possibly, a third meeting shortly before the opening of the inquiry which will presumably take place after a sufficient interval to allow the parties time to consider the NNI report, (say 4 months after receipt).

I agree that after the Inspector has reported it might well be appropriate to arrange for a further debate in Parliament.

I am broadly content with the draft statement identifying relevant points for the purposes of the inquiry. I suggest however that one or two amendments are needed to fill it out. I attach a redraft incorporating them. Perhaps officials can discuss further any points of detail.

Finally, I note you do not raise the question of Government aid to objectors at the inquiry. I assume you do not consider there is a case for departing from the general policy of not aiding objectors; and I am disposed to agree. We can however expect pressure for this to build up; indeed there are signs of it already. We had better therefore jointly concert our response to any requests for aid.

I am copying this letter to the Prime Minister, the Lord Chancellor, the Secretaries of State for Scotland and Wales, and the Secretary of State for Transport.

Yours ever

MICHAEL HESELTINE

The Rt Hon David Howell MP

ANNEX

PWR INQUIRY: "RULE 6 STATEMENT"

In considering whether the proposed power station should proceed the Secretary of State will take into account the economic, environmental and safety factors which would be involved as well as planning aspects. On the information so far available to him it appears that the following points will be relevant:

(a) the CEGB's requirement for the power station in terms of the need for secure and economic electricity supply and having regard to the Government's long term energy policy;

(b) the safety features relevant to the design, construction and operation of the station and in particular the views of the NNI on its licensability;

(c) the arrangements for waste management, in the light of the views of the authorising Departments;

(d) the implications of the proposed development (including both construction and operation) for:

(1) agriculture and fisheries

(2) local employment

(3) water supply and disposal

(4) transport requirements

(5) coast protection

(6) housing and public services generally

(7) local amenities and in particular areas of special landscape value or nature conservation interest.

Energy

DEPARTMENT OF THE ENVIRONMENT
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01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

Mr Patterson

My Ref: H/PSO/16329/81

23 July 1981

23/7

Dear David

SIZEWELL B PWR INQUIRY

Thank you for your letter of 14 July 1981 to Michael Heseltine.

I am content with the terms of your proposed arranged PQ and Answer. As to the generality of the issues, I would only re-emphasise that the Government will have to continue to be most careful to make it clear that it welcomes a continuing dialogue on nuclear policy and retains an open mind about Sizewell. This will be essential if our arrangements for public inquiries into major proposals of this kind are to remain credible.

I am copying this letter to the recipients of yours.

Yours

TOM KING

The Rt Hon David Howell MP

R H

29 June, 1981

National Nuclear Corporation

The Prime Minister has read your Secretary of State's minute of 26 June, and is content that Mr Frank Gibb should be appointed Chairman of NNC on an interim basis. She is also content with the suggested draft statement on NNC's role in relation to the major financial risks involved in nuclear power station construction.

I am sending a copy of this letter to Godfrey Robson (Scottish Office).

T. P. LANKESTER

J D West, Esq
Department of Energy

Copy in Appointments.

Prime Minister

Are you now content with Mr Gibb's appointment as chairman, and also with the suggested statement on NNC's financial risks?

Agreed on an interim basis

Prime Minister

In his minute of 8 June your private secretary recorded your view that we should not decide on a future Chairman of NNC until the Company's shareholding is right. I have since seen the Secretary of State for Scotland's further minute on the question of NNC shareholding, and the SSEB's views about NNC's management.

There have been a number of recent developments in the nuclear field which have a bearing on these issues and which I am now reporting to you.

PWR

We are committed to establishing the PWR as a valid alternative to the AGR in this country. Our strategy for achieving this has been to press ahead as fast as possible with preparations for construction of a first PWR at Sizewell based on the Westinghouse design. We have been aiming for a start to construction in 1983; but development of the Westinghouse design to meet UK safety requirements and to take account of lessons learnt from the Three Mile Island incident, and the need to prepare for a wider-ranging public Inquiry before construction work can be authorised makes the timetable tight.

Progress with the design work has been slower than planned. It has recently become clear that the modifications proposed are leading to an over elaborate and excessively costly design. There seemed a serious risk that unless the work could be got back onto timetable, and the design problems sorted out, the public Inquiry and any decision to construct the Sizewell PWR would become an electoral issue and the cost advantages that we expect to get from the PWR would be lost. I therefore asked the industry to propose early corrective action.

Copy in Appointments.

Their advice to me is that:-

i. they propose major simplifications to the design, leaving it much closer to the Westinghouse concept but still meeting UK safety requirements;

ii. they should set up a joint task force consisting of the NNC, the CEGB and the UKAEA chaired by Walter Marshall - which would bring together the combined resources of the three organisations with a view to making rapid progress with the design;

iii. more use should be made of the experience of Bechtel and Westinghouse.

They see this approach as offering a reasonable chance of recovering lost time although, until they have been able to assess the work still needed on the design, they will not be in a position to give firm advice on the timetable.

I have accepted this advice and am announcing the setting up of the task force in an arranged PQ. Nonetheless I remain concerned about the PWR, which is an essential part of our strategy to revitalise the nuclear industry and provide us with cheaper electricity. In my view it is essential that the NNC which is in the lead on the design work should take a firm grip on the situation. This is one of my reasons for wanting to see the Chairman's job filled as soon as possible, and for approaching any ideas of changes in the shareholdings very circumspectly.

NNC shareholding and financial structure

As I said in my letter of 1 June to the Secretary of State for Scotland I had asked my officials to consider with NNC and CEGB how the problem of NNC's financial weakness might be overcome. Specifically I have set up a working group involving the NNC and the Boards to consider how the financial risks associated

with the building of nuclear power stations can be properly apportioned, consistent with NNC taking on responsibility for project management for the Sizewell PWR. The group has started its work. It is already clear that the possibility of greater financial commitment on the part of the shareholders, and the possibility of a change in the balance of shareholdings will have to be looked at. But we cannot assess the potential interest of new shareholders until we can say what financial commitments they will be asked to take on. When we come to this issue then we will certainly take account of the SSEB's wish to see GEC's shareholding and influence diminished, and that of such companies as NEI and MacAlpine to have a greater participation. We have made this clear to the various parties concerned.

But I do not regard the balance of the shareholdings as directly relevant to the present problem; I know Arnold Weinstock shares this view. As I understand it the SSEB and NEI in particular believe that the AGRs are given insufficient priority by the NNC as presently constituted. I do not believe this is the case. But they would like to see changes in the shareholding and in the representation on the Board to give the proponents of the AGR more of a say. There may also be an expectation that greater board representation will bring more subcontracts. In my view it would be unfortunate to encourage these notions by looking for ways of increasing NEI's or others' representation, particularly if this resulted in increased influence of factions opposed to the Government's policy with regard to the PWR.

If NNC is to become a strong freestanding company capable of taking on project management we need a strong independent board. We need to get away from the idea of the board being composed of the representatives of particular interests. But meanwhile there is a vacancy on the board and I am consulting the various interested parties on the possibility of appointing John Eccles. His experience in the nuclear field should enable him to make a useful contribution and his presence, albeit not as representing any particular group, might help to balance the board.

I should also like to put on record the existence of the working group on financial risks in such a way as to indicate that the shareholding situation will be looked at. The draft of my proposed statement is attached.

Mr Gibb's appointment

Against this background I propose that we should now appoint Frank Gibb as Chairman of NNC. My reasons are:-

i. the need for NNC to get a grip on the PWR situation; if the post is left vacant there will be continued speculation and uncertainty in the company, and the PWR itself will be endangered;

ii. I do not see any possibility of reaching quick conclusions on the financial questions - especially in view of the very strong position that GEC holds in relation to changes in the shareholdings;

iii. the appointment would not pre-empt decisions which we may wish to take about the shareholdings. Frank Gibb understands that his appointment would be an interim one, and that we would want to review it when we have reached a firm view about the financial risks and the shareholdings.

Conclusions

I would suggest therefore that the Secretary of State for Scotland can be satisfied that the question of changing the shareholding balance will be fully examined (with the active participation of the SSEB), and that Frank Gibb's appointment as Chairman in no way pre-empts decisions. I hope that you can now agree to this appointment.

I am copying this minute to the Secretary of State for Scotland.

DH.

SECRETARY OF STATE FOR ENERGY

26 June 1981

DRAFT STATEMENT

To ask the Secretary of State whether he will make a statement about NNC.

A. I have agreed with the Corporation and the Generating Boards that there should be a review of how NNC's role in relation to the major financial risks involved in nuclear power station construction could be strengthened. The views of all the NNC shareholders will be sought in course of this exercise.

HOLD for Mr Howell's reaction.
GR 12/6

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Energy

MANAGEMENT - IN CONFIDENCE

PRIME MINISTER

THE NATIONAL NUCLEAR CORPORATION

I have seen the Secretary of State for Energy's minute to you of 5 June about the appointment of Mr Frank Gibb as Chairman of the National Nuclear Corporation and also your Private Secretary's minute to mine commenting on our earlier correspondence. I agree with you that there is no point in deciding on a future Chairman until NNC's shareholding is right. Although I have no personal knowledge of Mr Gibb or his qualities for the post I am well aware of the strength of feeling of the South of Scotland Electricity Board that action needs to be taken on the shareholding if NNC is to have an effective and independent role in the future.

As I have already explained, SSEB's major commitment is of course to ensure the successful construction and commissioning of the Torness AGR and it is their anxiety about that project which has prompted them to express their misgivings to me. They tell me that there is increasing evidence of a lack of commitment to the project by the NNC Board and they see no evidence that NNC is addressing itself to the need to strengthen its management and technical resources to deal with the project, SSEB also tell me that because of the difficulty they experience in dealing with NNC there have already been long delays in various phases of the work - for example in the design contract which took 18 months to conclude and in other important contracts such as that for graphite machining - and that other areas of work are now showing substantial slippages at a time when it is critical for the success of the project to get it moving on all fronts.

The problem is not primarily one of finance because that can no doubt be overcome by some form of agency agreement. The SSEB have put forward telling evidence about delays and strong arguments that the shareholding and Board membership of the NNC must be such that no one company can dominate the proceedings of the Board to block or delay executive action. As I pointed out in my minute of 20 May the SSEB's record in the field of power station construction entitles them to speak with some authority and the picture they paint is a most disturbing one which we cannot afford to ignore.

The Secretary of State for Energy's letter of 1 June concentrated very largely on the financial aspects of the problem but this seems to me to beg the more fundamental issues of the shareholding balance and of the

the apparent lack of commitment by the NNC to the AGR projects. In the meantime he should, I suggest, delay appointing a Chairman of the NNC until such time as all parties concerned in the nuclear reactor programme can discuss the whole question of shareholding, Board structure and the outstanding problem of finance and report their findings to Ministers.

I am sending a copy of this minute to David Howell.

(Approved by the Secretary of State and signed in his absence.)

12 June 1981

Alan

NNC

Thank you.

I have kept the papers (which I had originally) about Mr. Rooney's departure & the question of a new Chairman. Otherwise, the rest are yours.

J.

10/6.