

NEIA merger of Clarke Chapman
and Reyrolle**D McDonald**
Chairman & Chief Executive**Northern Engineering Industries Ltd**NEI House
Regent Centre, Newcastle upon Tyne
England NE3 3SBTelephone: 0632 843191
Telex: 537900

20th March, 1980

The Rt.Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON S.W.1.*Dear Prime Minister,*

I was recently appointed to succeed Sir James Woodeson, following his tragic and untimely death, as Chairman and Chief Executive of NEI. I was responsible with Sir James for the formation of the Company and our thoughts, policies and strategies were as one. I know that Sir James was very appreciative of the helpful attitude which the Government, under your leadership, has been showing towards industry and I know how much he welcomed the Government initiative in announcing its commitment to a long term nuclear energy programme. I hope, in the circumstances, that you will not therefore be offended by this direct approach to you concerning the present state of uncertainty in relation to the AGR power stations for Heysham and Torness.

NEI has a much greater involvement in these two stations, indeed in the power plant industry generally, than any other company in the U.K.; our involvement, which is based on successful technology, relates not only to the major nuclear boilers and turbine generators but to a mass of ancillary nuclear and mechanical equipment as well as to conventional power station electrical plant.

Our Clarke Chapman power engineering company at Gateshead has already received and virtually completed the design contract for the boilers for both Heysham and Torness and our work programme has been based on receiving the hardware contracts for the manufacturing work within the next few weeks.

Our Parsons turbine and generator company at Heaton also received the design contract for the machines at Heysham and expected the manufacturing contract early this year. Many other sectors of our Group - John Thompson, Reyrolle, Bruce Peebles, International Combustion, Projects and Electronics - would be deeply involved in the provision of plant.

I really cannot overstate the importance of this work for NEI; there is no doubt that cancellation or long postponement would mean the death of

Contd...

the principal Clarke Chapman boiler operation in Gateshead with the most serious unemployment consequences and the loss of highly experienced technological resources in the nuclear power field. The Parsons problem would also be serious and the withdrawal of Heysham would produce a sudden gap in loading which there is no foreseeable chance of replacing which would also affect our endeavours in the export field.

We received the representatives of the C.P.R.S. earlier this week and I am sure they will advise you that we responded as objectively and as dispassionately as possible to the questions put to us on the effects of possible delay or cancellation of the AGR programme. I am sure you will understand that I do not doubt in any way the good faith and accuracy of the report which will be made but the issues raised are so fundamental to the future of our Company and so critically important to the successful implementation of a long term British nuclear power programme that I felt I had no alternative but to write to you personally.

Yours sincerely,

James McDonald.