

PRIME MINISTER

NUCLEAR PROGRAMME

The attached paper from Mr. Howell will be discussed at E on Tuesday. The Cabinet Office brief will not be with us until Monday. But you might note the following points:-

- (i) Sir Kenneth Berrill, who has followed the nuclear industry and its failures as closely as anyone in Whitehall, strongly supports Mr. Howell's proposals. He has mentioned two points to me which are relevant to the speed with which we get the nuclear programme moving -
- (a) The FCO are likely to argue against an early activation of the Westinghouse license (see paragraph 14 of the paper accompanying Mr. Howell's covering note). This is because Westinghouse are claiming massive damages against RTZ, and the FCO may think postponing the license can be used as a lever against them. Ken Berrill thinks this will not help; but in any case, he does not think we can afford to wait any longer on the nuclear license. The Westinghouse license is the best available for PWR (Mr. Benn tried to find an alternative from Kraftwerk Union in Germany and Framatome, the French company; but produced nothing as good as the Westinghouse license); and until there is a firm project proposal, the Safety Inspectorate will not start any serious work. There has already been too much delay.
- (b) Whatever the arrangements for improving the performance of the nuclear industry, there are bound to be continuing problems which ought to be properly monitored by the Department of Energy. Up to now, the Department have not known enough about what is going on.

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- (ii) As expected, Mr. Howell is recommending a stronger role for GEC, though he does not envisage asking them to increase their shareholding above its present level.* You will be seeing Sir Arnold Weinstock on Tuesday evening to sound him out on Rolls Royce; you will probably want to sound him out on whether he can take on a bigger nuclear role and also take over the management of Rolls Royce. It will be a difficult choice for us if he says he cannot do both - from a short-term point of view, no doubt Rolls Royce should come first; but the long-term costs of failure on the nuclear side must be incomparably greater.
- (iii) Annex D on the economics of nuclear show that it has a decisive advantage over coal-fired stations. This is as one would have expected, but the figures are certainly re-assuring - particularly the sensitivity analysis which shows that substantial delays in commissioning, significantly lower coal and oil prices than assumed, etc., still leave nuclear with a considerable advantage. However, the capital cost of the programme in the late 1980s will be high - over £1,000 million per year.

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19 October 1979

cc: Mr. Wolfson
Mr. Duguid

*The paper does not actually say what GEC's enhanced role would be. But I understand that Mr. Howell's idea is that Weinstock would appoint one of his own people as Chief Executive of NNC, suggest names for the Chairmanship, and Mr. Lewis (one of the GEC triumvirate) would be on the NNC Board. The Board and top executive would effectively report to Weinstock.