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E(80) 46th Meeting COPY NO 56

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 18 DECEMBER 1980 at 10.15 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
(Item 2)

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury
(Item 2)

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

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1. FAST REACTOR POLICY
Previous Reference: E(80) 23rd Meeting Item 3

The Committee considered a memorandum by the Secretary of State for Energy (E(80) 143) on Fast Reactor Policy.

THE SECRETARY OF STATE FOR ENERGY said that he did not believe that the United Kingdom could afford to develop its own fast reactor technology independently of other countries. As agreed by the Committee at their meeting on 1 July, he had had further discussions with the French Industry Minister and he now recommended that he should be authorised to enter into substantive negotiations on collaboration with the French and Germans, on the lines set out in his memorandum. It would be necessary to tell them that, in principle, we were willing to reach agreement with them provided that the terms were right. There would, however, be no commitment to building a commercial demonstration fast reactor in the United Kingdom at any particular time. While these negotiations took place, we should continue to review the prospects for collaboration with the Americans so that that option could be set against any deal which might be possible with the Europeans. In the meantime, however, it was by no means certain that the Americans would wish to collaborate with us; they might be equally interested in a deal with the French and Germans.

MR IBBS said that the Central Policy Review Staff (CPRS) considered that, in view of the importance of the long term questions raised by fast reactors and the potentially large sums of money involved, it was important to avoid the risk of becoming effectively committed to European collaboration before the alternatives had been fully considered. They agreed that it would be wrong for the United Kingdom to go it alone and to build its own commercial scale domestic reactor. In addition to collaboration with the Americans the main option was to take a holding position which would entail keeping a core team to act as informed purchasers of fast reactor technology when the United Kingdom needed it. This would avoid the possibility of the United Kingdom becoming committed quickly to substantial additional expenditure as a result of a collaborative deal, and it would leave open the possibility of licensing arrangements whereby we could choose the best technology available when the need arose.

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In discussion the following points were made -

a. The danger of entering into substantive negotiations now with the French was that of becoming at least morally committed to a deal with them and so forfeiting the opportunity of collaboration with the Americans. There was no need to rush into such discussions when the attitude of the new American Administration would be known shortly.

b. Collaboration with either the French or the Americans could prove to be very expensive. Unlike its competitors the United Kingdom had sources of non-nuclear energy and the Government could afford to take its time in reaching decisions. Both the Americans and the French could well prove very willing to offer attractive licensing agreements.

c. If the Government did not now move to the stage of substantive negotiations with the French and the Germans, there would be a risk of losing the opportunity of collaboration with them on attractive terms. It was unlikely that they would see any point in further non-committal discussions.

THE PRIME MINISTER, summing up the discussion, said that the Committee did not accept that the time had yet come to enter into substantive negotiations on collaborative deals with the French, as proposed by the Secretary of State for Energy. They would not wish to take decisions until more was known of the fast reactor policy of the new American Administration. They would then wish to see a full evaluation of the main options: collaboration with Europeans; collaboration with the Americans; and taking a holding position which would entail keeping a core team to act as informed purchasers of fast reactor technology when the United Kingdom needed it. Pending further decisions, funding of the present United Kingdom nuclear research and development programme should continue, and the Secretary of State for Energy was free to continue discussions on a non-committal basis with prospective partners in collaborative deals.

The Committee -

Invited the Secretary of State for Energy to put forward in due course an evaluation, prepared in consultation with the Central Policy Review Staff, on the main options, as indicated by the Prime Minister in her summing up of their discussion, for fast reactor policy.

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2. IRON AND STEEL BILL 1981

Previous Reference: E(80) 45th Meeting, Item 3

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The Committee resumed their discussion of the memorandum by the Secretary of State for Industry (E(80) 144) on the provisions to be included in the Iron and Steel Bill 1981.

THE SECRETARY OF STATE FOR INDUSTRY said that, following the Committee's discussion on 17 December, he had consulted the Chairman of the British Steel Corporation (BSC) further on the case for including provisions in the Bill to enable the liquidation, if necessary, of the Corporation. Mr MacGregor remained of the view that he would prefer to have such provisions which would demonstrate to the unions that the Government was fully behind him in his aims of making the Corporation viable and competitive. The Secretary of State for Industry agreed that there were good arguments for having the power, which would be a good precedent for introduction in all the statutes of the nationalised industries. He recognised, however, that it would be possible to manage without it. Under existing powers BSC could close down most of their operations if necessary. It had already been agreed that the Bill should include powers to enable privatisation and joint ventures; and it would be possible for the Corporation to set up Companies Act companies which could be put into liquidation.

THE PRIME MINISTER, summing up a short discussion, said that the Committee agreed on balance that the Iron and Steel Bill should not include provisions to enable the BSC to be liquidated. There were already sufficient powers available to the Corporation to make a reality of their threat to run down the business if there were no prospects of its viability. To take powers now to enable liquidation would risk provoking the unions to unnecessary confrontation with the Corporation and with the Government. The provisions would be regarded as highly contentious by the House and would add to the difficulties of completing the legislative programme in the present Session.

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As it was, the Committee had agreed at their previous meeting that it would be necessary for the Future Legislation Committee to review the 1980-81 programme in the light of decisions on the Iron and Steel Bill and to see whether any other Bill might be earmarked for dropping if necessary.

The Committee -

Agreed that the Iron and Steel Bill 1981 should not include provisions to enable the British Steel Corporation to be liquidated if necessary.

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3. BRITISH LEYLAND'S CORPORATE PLAN

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Previous Reference: E(80) 45th Meeting, Item 4

The Committee heard reports of a meeting which, as requested by the Committee, the Secretaries of State for Industry, Employment and Trade, and the Chief Secretary, Treasury, had held earlier in the day with the Chairman of British Leyland (BL), Sir Michael Edwardes.

THE PRIME MINISTER, summing up a short discussion, said that the Committee would wish to reflect further on their discussions so far, and on the assessments of the meeting that morning with Sir Michael Edwardes, and to resume their discussions of the BL Corporate Plan in January. In the meantime the Secretary of State for Industry should consider whether independent advice might be sought on the plan.

The Committee -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Agreed to resume their discussion of British Leyland's Corporate Plan in January.

Cabinet Office

22 December 1980

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