

Agents



Prime Minister. ①

PRIME MINISTER

Yes Mr

*Content for who
away a meeting with
Energy Secretary, Sir Robin
Nicholson and Sir Robert Armstrong?*

MKA 2/5

CHAIRMANSHIP OF THE ATOMIC ENERGY AUTHORITY

As you will know I have had discussions with Sir Robin Nicholson about the possibility of his taking over the Chairmanship of the Authority. We need somebody who can combine a reputation for scientific excellence with determination to improve the Authority's commercial performance and I believe that he could do the job well.

In our discussions he has raised a number of points of principle about the Authority's future role. These are set out in the attached letter. Understandably he wishes to know whether these ideas are likely to find favour with the Government before making a final decision on whether to accept the post.

I think the best way of taking this forward might be for you to convene a small gathering of myself, Nicholson, and whoever else you would like to invite, to talk through his ideas. There is some urgency, since the existing Chairman, Arnold Allen, retires at the end of September and if Nicholson declines I shall need to seek an alternative candidate without delay.

SECRETARY OF STATE FOR ENERGY

1 May 1985



10 DOWNING STREET

~~Andrew Tuntall.~~

We shall need to consider
this at the meeting to discuss
the future of AEA.

MAA 7/5

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PERSONAL AND CONFIDENTIAL

MR PETER WALKER

30 April 1985

Dear Secretary of State,

UKAEA.

In connection with our meeting tomorrow, I attach a revised version of my letter sent to you on 14 March. The revisions have been made as a result of discussions with Walter Marshall, Arnold Allen, Peter Hirsch and your officials. I believe that the pattern of work I describe is entirely consistent with the E(NI) discussion and is the most effective way of utilizing the Authority's technological assets to serve the nuclear power industry, your Department's policy and statutory duties, and the private sector of British industry as a whole.

I recognise, however, that what I say does pose some political problems and I welcome your suggestion to discuss these with the Prime Minister. You might also feel it appropriate to involve the Chancellor of the Exchequer or the Chief Secretary.

Yours sincerely,

Robin Nicholson

ROBIN NICHOLSON
Chief Scientific Adviser

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THE FUTURE OF THE UKAEA

The revenue earning parts of atomic energy are CEGB, BNFL and, at a lower level, NNC and private sector companies like Amersham. The future size and scope of UKAEA must relate to, and be largely funded from, these revenues. E(NI) accepted that this would mean some transfer of funding from the Department of Energy to the beneficiaries of the UKAEA's research.

2. But several of the companies involved are not true free market organisations and hence there has to be an element of artificiality about a customer-contractor relationship between them and UKAEA. The proper definition of this relationship is important during the transfer of funding if the UKAEA is not to be impossibly squeezed between a reducing Department spend and reluctant customers who have difficulty in justifying the increased expenditure to their customers eg the Electricity Council.

3. The letter from the Secretary of State for Energy to the Chairman of the CEGB dated 30 November, 1982 requires the latter to "ensure that the Board does all possible to explore and exploit the full potential of nuclear power to contribute to the cheap, effective and safe production of electricity". A subsequent letter confirmed that this remit included responsibility for an effective nuclear power station construction industry. Clearly all this requires on-going research on many aspects of atomic energy.

4. The chairman of the CEGB has indicated that he has no intention of adding to the Board's own nuclear research facilities while the UKAEA can provide, through a customer-contractor relationship, high quality expertise and facilities on a competitive basis. But it needs to be made clear to the Chairman (and to the Electricity Council) that the remit quoted in paragraph 3 does include research in the design, operation and safety of nuclear power stations, the development of improved nuclear power facilities, novel methods of generating power from atomic energy and the underlying research associated with all these items.

5. Similar considerations apply to BNFL in connection with research on nuclear fuel, fuel element reprocessing and (together with the CEGB) on the storage and disposal of radioactive waste. Again underlying research associated with these items should be included.

6. E(NI) accepted that while the UKAEA would never again occupy a sole central position in research, development and design of nuclear equipment, it will remain a vital source of independent policy advice for HMG and the Department of Energy in particular. This function will require a continuing R & D activity, for example in safety and new reactor systems which will be the basis of a permanent vote-funded activity in UKAEA.

7. There is no rational reason for dividing science and technology between nuclear and non-nuclear activities and the many years of UKAEA nuclear R & D have resulted in it becoming a general repository of technological skills and knowledge of formidable power. In its so-called non-nuclear activities, the UKAEA has made this resource available to British industry as a whole. But it has been shackled by regulations which give the UKAEA substantial constraints in exploiting it's R & D in a non-nuclear context.

8. This differential between nuclear and non-nuclear must be removed if the UKAEA's technological assets are to be effectively utilized. Then the UKAEA would be able to exploit it's R & D in the modern way by demonstration, manufacturing and marketing of new products and processes, normally in partnership with private sector interests.

Mr. Ian Wrigglesworth (Stockton, South): Do not the anxieties mentioned by the hon. Member for Canterbury (Mr. Crouch) exist because the country and the House are so uncertain about the Government's hopes and intentions for energy supplies from all different sources in the coming years? Will the Secretary of State make much more clear to the House and to the country how the Government see the energy mix for the future, so that better judgments can be made on such deals? What is the British Gas Corporation's reaction to the decision that he has just announced?

Mr. Walker: The British Gas Corporation must be free to make its own pronouncements. It has been fully consulted throughout and knows of the adjustments we have made with regard to capacity and also the validity of the reasons on which we have based our judgments. Obviously, having negotiated the Sleipner deal, the corporation must be disappointed that it has not been completed. I am sure that the BGC will wish to continue good relations with Norway as a potential supplier of gas in future, as it is at the present time.

On the hon. Gentleman's question about projections on a whole range of energy supplies, I remind him—although not wishing to do so—of his political past. The party of which he used to be a member published a series of projections for energy supplies over five and 10-year periods, but the only thing that can be said about them is that they were all proved to be dramatically wrong.

Atomic Energy Authority

4.10 pm

The Parliamentary Under-Secretary of State for Energy (Mr. Alastair Goodlad): With your permission, Mr. Speaker, I should like to make a statement about the future of the Atomic Energy Authority. My right hon. Friend the Secretary of State for Energy told Parliament on 28 March that he had set in hand a wide-ranging review of the role and activities of the authority. On 3 October he placed in the Library of the House a press statement which summarised the recommendations of the review. Following consultations with the interested parties, I can now inform the House of the conclusions reached by the Government.

Since the authority was established in 1954 as a vote-funded body with a high degree of statutory independence, it has made a crucial contribution to the development of the civil uses of nuclear power in this country. Today, civil nuclear power is an essential and established part of our national life. Last year more than 18 per cent. of electricity supplied in the United Kingdom was nuclear. The proportion will reach 21 per cent. when the three nuclear stations most recently linked to the national grid reach full power, with a further increase when stations now under construction are completed. The civil nuclear industry in the widest sense now provides about 100,000 jobs. All this has been achieved with an excellent safety record. The authority's work is held in high regard and it will continue to have a major role to play in both the nuclear and non-nuclear field.

The review had two guiding principles: first, that the authority should move further towards a commercial basis of operation; secondly, that a defined customer-contractor relationship should be applied as far as possible to its work. The Government fully endorse those principles.

The review recommended, and the Government accept, that the activities of the authority should be placed on a trading fund basis. The authority will be required to account for its activities in a fully commercial manner, within financial objectives set by the Secretary of State. We intend to provide the authority with a capital structure and powers to borrow as required to enable it to operate as a trading fund from April 1986, and will introduce legislation as soon as possible for that purpose.

I have considered carefully, in consultation with the authority and with its customers in the nuclear industry, how the principles of the review should apply to the funding of particular programmes at present financed by my Department. A balance is required between the application of the customer-contractor principle, which is valuable for financial discipline and a more commercial approach, and the retention of an independent capability for safety and underlying research in the authority. The electricity industry, like the Government, attaches importance to that independent capability. Although the generating boards will increase the amount of work which they pay for on a customer-contractor basis, my Department will continue to fund a substantial authority programme of thermal reactor and general safety research. The Government broadly endorse a recommendation of the review group that there should be an element in the authority's charges to customers, including the

[Mr. Alastair Goodlad]

Department, in respect of underlying research. I am discussing the application of this recommendation with those principals concerned.

The effect of the proposals will be to carry further the development of recent years under which the funding of the authority's expenditure has become more broadly based and proportionately less dependent on Department of Energy Votes. In particular, there will be a further increase in funding by the CEGB. With other changes, I expect this to result in a reduction of £5 million in my departmental Vote in 1985-86 compared with previous plans.

I have already mentioned the authority's contribution to the development of civil nuclear power in this country. It continues to give valuable support to the nuclear industry in both the public and private sectors. It is diversifying its services in the non-nuclear field, and has made an important contribution to technology relevant to North sea development.

The evolutionary changes I have just announced will put the authority on an increasingly commercial footing and will give its staff a new incentive. I am confident that the changes will enable the authority further to develop its role and contribution to the economy on both a national and international basis. I am also confident that all those concerned will join in taking full advantage of this new opportunity.

Mr. Alexander Eadie (Midlothian): The Minister's announcement is unsatisfactory on three counts. First, as the Minister said, to put the authority on a commercial basis is an evolutionary change. We believe that it is a change towards privatisation. I draw the Minister's attention to the note appended to the statement of 3 October so that the House is under no misunderstanding about the way in which the Government have clothed today's statement. Paragraph 9, entitled

"The Authority as a Trading Fund" states:

"The extension of the customer/contractor approach to the Authority's nuclear work for the Department would be facilitated by putting the Authority on a Trading Fund basis. This would require all work to be accounted for on a fully commercial basis, impose additional discipline through the requirement to meet financial objectives, create financial flexibility between years, highlight major issues which need to be dealt with in commercial terms, and facilitate possible eventual privatisation."

Secondly, does the Minister realise that the people of this country will be appalled that work connected with nuclear power, whether research or in any other area, will be on a commercial basis, in private hands? The Minister has argued that the justification for that is the saving of £5 million. That is not an argument; it is an unsafe betrayal in the interests of private profit.

Thirdly, is it not monstrous that the result of the announcement will be to take from Parliament the right to question and seek accountability for that aspect of nuclear power activity?

The Government appear not only to be preparing the way for privatisation, but to be weakening the authority of Parliament.

Mr. Goodlad: I may be able to put some of the hon. Gentleman's fears at rest. There are no plans to privatise the Atomic Energy Authority. Therefore, the fears that animated his first and second points do not apply.

On the hon. Gentleman's third point, there will be a reduction in accountability to this House because of the change to the trading fund.

Mr. John Hannam (Exeter): Does my hon. Friend agree that this decision really consolidates the existing trend on outside financing? Will he reiterate that research into the safety of nuclear reactors will still be a top priority of the Government?

Mr. Goodlad: My hon. Friend is quite right to say that the move to a trading fund will reinforce a trend that is already taking place. He is also correct to say that the resources available to the authority for thermal reactor and general safety research will not be reduced. The Department will continue to fund substantial authority programmes in that area. The Government attach paramount importance to safety, and will continue to do so.

Mr. Merlyn Rees (Morley and Leeds, South): Under the trading fund structure, will capital borrowings now cease to be counted by the Treasury in the public expenditure totals?

Mr. Goodlad: The capital structure of the trading fund has yet to be established by my right hon. Friend, and will be the subject of continuing consultations.

Mr. Rob Hayward (Kingswood): In welcoming the statement, may I ask whether the authority will continue to co-operate with its European partners in the projects that are currently operating?

Mr. Goodlad: Yes, Sir.

Mr. Robert MacLennan (Caithness and Sutherland): I accept that, after it has successfully spearheaded the development and research of the nuclear programme during about 30 years, it is sensible to move towards a recognition of the commercial possibilities of the authority. However, does the Minister realise that his statement is unsatisfactorily opaque in that, although it accepts in principle, the recommendation of a trading fund, it does not begin to define which matters will still be funded by the Department? There have been six months of consultation on this matter. Is there a risk that fundamental research will not be commissioned, and therefore, not carried out? How does the Minister propose to continue to fund the fast-breeder reactor programme?

Mr. Goodlad: I said in my statement that the underlying research of the authority will remain a priority. That will be the case. My Department will continue to provide funding to underlying research, and the industry will also contribute. The position of the fast-breeder reactor programme will remain as it is at present. The programme is proceeding through the collaborative arrangements set out in the intergovernmental memorandum of understanding which my right hon. Friend the Secretary of State signed in January last year. The resources available to the programme are not changed by this decision, but the work will be carried out on a more explicit customer-contractor relationship between the Department and the authority.

Viscount Cranborne (Dorset, South): My hon. Friend's statement will be studied with the keenest interest at the atomic energy establishment at Winfrith, which is the largest employer in my constituency. The workers there will appreciate his remarks about their work in safety

nuclear matters, and about the additional research that they have done on North sea oil. However, will he give them some assurance this afternoon as to whether the commercial implications of his statement, which I am sure will be broadly welcomed, will give undue leverage to the Central Electricity Generating Board over the authority's activities? Does he accept that many people throughout the industry, and especially in my constituency, would be most grateful for a reassurance on this matter?

Mr. Goodlad: I join my hon. Friend in paying tribute to the distinguished work that has been done at Winfrith for many years, in which I know he has taken a close interest. I assure him that no undue influence will follow this review either from the CEGB or anyone else.

Dr. M. S. Miller (East Kilbride): The Minister referred to research, notably in connection with the fast-breeder reactor. What effect will the Government's proposals have on longer-term research into changing to the fusion process instead of fission?

Mr. Goodlad: The review of the authority did not cover fusion. The position remains that research into fusion forms an integral part of the Euratom fusion programme and is a successful example of European co-operation in a high technology sector. Recently I announced that the Government's direct contribution to the United Kingdom Atomic Energy Authority's fusion work, which is carried out under a contract of association with Euratom, should be £15.9 million in 1985-86, £13.7 million in 1986-87 and £13.3 million in 1987-88. That funding, together with our commitment to the joint European Torus project under the joint understanding and the host agreement will ensure that the United Kingdom maintains a substantial fusion programme.

Mr. Michael Morris (Northampton, South): Will the external financing limit of the electricity supply industry be adjusted because of its increased contribution, which will come about presumably because of this change?

Mr. Goodlad: In principle, changes will be reflected in the EFL.

Mr. Michael Meadowcroft (Leeds, West): Does the Minister accept that nuclear power capacity is a matter of considerable political sensitivity, and that there is genuine concern that increased commercialisation is bound to impinge on control and accountability? Will he expand his previous assurance and tell us what changes are being made to ensure that, in this different perception of the authority's role, there will be genuine accountability to, and control by, the House?

Mr. Goodlad: I assure the hon. Gentleman that the Government and the House will have as much control and accountability as they have always had.

Mr. T. H. H. Skeet (Bedfordshire, North): Will the financial objectives be set out in White Papers or in specific legislation brought before the House for that purpose, like section 29 of the Water Act 1973? When is such legislation likely to appear?

Mr. Goodlad: My right hon. Friend the Secretary of State will be responsible for setting the financial objectives of the authority, with the agreement of the Treasury and after consultation with the authority. The timing of legislation will be a matter for my right hon. Friend the Leader of the House.

NHS (Theft and Corruption)

4.25 pm

Mr. Michael Meacher (Oldham, West): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"The detailed revelation that has just been made of the magnitude of theft and corruption in the National Health Service by a number of consultants who abuse NHS facilities in their practice of private medicine at a cost to the public purse of some tens of millions of pounds a year."

The matter is specific because, for the first time, after an in-depth audit of 37 district health authorities after the revelation of significant fraud at Sutton Coldfield last summer, several hospitals and consultants were named in a detailed analysis of the official evidence by a "TV Eye" programme last Thursday evening entitled "Consultants on the Make." It revealed point by point how even the recently tightened procedures adopted by many health authorities cannot prevent abuse by private medicine on a significant scale, and showed that it is now becoming endemic in the National Health Service.

The matter is of vital national importance because it reveals that the fundamental principles of the NHS are being eroded, not by the odd rotten apple in the barrel here and there, but systematically and all over the country. In Darlington, consultants destroyed 27 key forms which showed that fees were owed to the NHS. In Merthyr Tydfil, NHS patients were told that they would have to become private patients if they wanted hospital treatment urgently. In Sutton Coldfield, after the original row had been made public and a tightening-up exercise instituted, consultants' fees to the Good Hope hospital suddenly increased by £1,000 a month. In Wakefield, consultants manufactured forms to conceal evidence of having treated private patients. In Derby, NHS laboratory facilities were used for testing hundreds of animal specimens for local vets, without the knowledge or permission of the health authority, and such tests were given precedence over tests for some human patients. Yet the "TV Eye" programme shows that those examples are only the tip of the iceberg.

This matter is urgent for two main reasons. First, Ministers have a clear public duty to stop this haemorrhage of public funds from the abuses now uncovered as being of a serious and growing magnitude. The annual loss to the Exchequer is already substantially greater than the annual income to the Exchequer from the overseas visitor regulations which the Government insisted on introducing because a tiny number of foreigners were not making full payment of fees to the National Health Service.

The matter is also urgent because in any other walk of life theft on this scale would have resulted in instant dismissal and criminal proceedings, possibly involving years in prison.

Where persons are found to have been deliberately using their positions of power and prestige to defraud the rest of the community, the issue should be taken up without delay. The individuals concerned should be named and dealt with immediately. I submit that it is incumbent upon us to ensure, for the good name of the House, that that happens. For these reasons, I request that the matter be debated in the House at the earliest opportunity.

Mr. Speaker: The hon. Member for Oldham, West (Mr. Meacher) asks leave to move the Adjournment of the

[Mr. Speaker]

House for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely,

"the wholesale evasion of fee-paying by those practising private medicine in the NHS and the consequential major loss of public revenue as revealed by a Thames Television programme entitled 'Consultants on the Make'."

I have listened with care to the hon. Gentleman, but I regret that I do not consider the matter which he has raised as appropriate for discussion under Standing Order No. 10. Therefore, I cannot submit his application to the House.

Coal Industry Dispute

4.32 pm

Mr. Dick Douglas (Dunfermline, West): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the deteriorating situation in the Scottish coalfield which raises questions about man management relations, the future of jobs and investment prospects in the area and the survival of local communities, indicating the need for a principled and negotiated settlement of the current dispute."

The matter is specific, Mr. Speaker, because, while it is part of the miners' general dispute, it relates to a specific coalfield. The background for that coalfield is different from that for other areas of the United Kingdom, because before the present dispute there was evidence of a difference in the approach of management to safety cover. In other areas of the coal board, the British Association of Colliery Managers was called in to provide safety cover, but in Scotland that has not happened. I have made submissions previously on this issue and referred to the Bogside colliery in my constituency.

We have no doubt that management has a right to manage, but anyone who knows anything about the coal industry will recognise that this is an extremely circumscribed right because of practice and legislation. A suitable analogy is that of the safety of a ship at sea. The coalmine manager wants the right to manage, but he cannot manage properly without the co-operation of others in the industry, especially the members of the NUM and NACODS.

In my constituency and in other areas of Fife there has been a massive loss of jobs, which has made the matter extremely urgent. We have lost faces at Castlehill and at the Frances-Seafield complex. The evidence is that the men have provided safety cover when requested to do so. On the other hand, management has played a cat-and-mouse game.

There has been disagreement in the House about a principled and negotiated settlement of the dispute because of different interpretations of the NACODS agreement of October 1984. I shall quote briefly from the agreement to show that we must adopt a different interpretation from the one that has been adopted by Ministers.

Part of the NACODS agreement states:

"the Board are very ready to re-examine the Review Procedure and to adopt any amendments which will improve its effectiveness. The Association will appreciate, of course, that this must be done in a way which will meet with the approval of all the parties concerned, including NUM and BACM."

I submit that that sentence gives the lie to the Government's interpretation of the agreement. The agreement cannot be triggered, except with the approval of the NUM and the BACM. That reflects the negotiated intentions of the parties.

The matter is urgent, because we are suffering a massive haemorrhage of jobs in the coal industry in areas of high unemployment. We need to reach a settlement because of the damage to Scottish employment and the effect that the dispute is having on areas of high unemployment, such as my constituency in Fife.

I submit, Mr. Speaker, that this matter should take precedence over the Business of the House as set out on the Order Paper, and request you to grant a debate on it.



ATOMIC ENERGY AUTHORITY

1. With your permission Mr Speaker I would like to make a statement about the future of the Atomic Energy Authority. My right hon Friend, the Secretary of State for Energy, told Parliament on 28 March that he had set in hand a wide ranging review of the role and activities of the Authority. On 3 October he placed in the Library of the House a press statement which summarised the recommendations of this Review. Following consultations with the interested parties I can now inform the House of the conclusions reached by the Government.

2. Since the Authority was established in 1954 as a vote-funded body with a high degree of statutory independence it has made a crucial contribution to the development of the civil uses of nuclear power in this country. Today civil nuclear power is an essential and established part of our national life. Last year more than 18% of electricity supplied in the UK was nuclear. The proportion will reach 21% when the three nuclear stations most recently linked to the national grid reach full power, with a further increase when stations now under construction are completed. The civil nuclear industry in the widest sense now provides about 100,000 jobs. All this has been achieved with an excellent safety record. The Authority's work is held in high regard and it will continue to have a major role to play in both the nuclear and non-nuclear field.

3. The Review had two guiding principles:

- firstly, that the Authority should move further towards a commercial basis of operation;
- secondly, that a defined customer/contractor relationship should be applied as far as possible to its work.



The Government fully endorse these principles.

4. The Review recommended, and the Government accept, that the activities of the Authority should be placed on a Trading Fund basis. The Authority will be required to account for its activities in a fully commercial manner, within financial objectives set by the Secretary of State. We intend to provide the Authority with a capital structure and powers to borrow as required so as to enable it to operate as a Trading Fund from April 1986, and will introduce legislation as soon as possible for this purpose.

5. I have considered carefully, in consultation with the Authority and with its customers in the nuclear industry, how the principles of the Review should apply to the funding of particular programmes at present financed by my Department. A balance is required between the application of the customer/contractor principle, which is valuable for financial discipline and a more commercial approach, and the retention of an independent capability for safety and underlying research in the Authority. The electricity industry, like the Government, attaches importance to that independent capability. Although the Generating Boards will increase the amount of work which they pay for on a customer/contractor basis, my Department will continue to fund a substantial Authority programme of thermal reactor and general safety research. The Government broadly endorse a recommendation of the Review Group that there should be an element in the Authority's charges to customers, including the Department, in respect of underlying research. I am discussing the application of this recommendation with those principally concerned.

6. The effect of these proposals will be to carry further the development of recent years under which the funding of the



Authority's expenditure has become more broadly based and proportionately less dependent on Department of Energy votes. In particular there will be a further increase in funding by the CEGB. With other changes I expect this to result in a reduction of £5m in my Departmental vote in 1985/86 compared with previous plans.

7. I have already mentioned the AEA's contribution to the development of civil nuclear power in this country. It continues to give valuable support to the nuclear industry in both the public and the private sectors. It is diversifying its services in the non-nuclear field, and has made an important contribution to technology relevant to North Sea development.

8. The evolutionary changes I have just announced will put the Authority on an increasingly commercial footing and will give its staff a new incentive. I am confident that these changes will enable the Authority further to develop its role and contribution to the economy on both a national and international basis. I am also confident that all those concerned will join in taking full advantage of this new opportunity.