



Meekstades

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for
Wed.

(door) Tue

10 DOWNING STREET

From the Private Secretary

Prime Minister

Sir Robin Nicholson has set out his views on how AEA should operate and has suggested a different mechanism to set a limit to its non-nuclear activity ie 25% of its total assets (rather than 25% equity stakes in manufacturing ventures). This would cover non-nuclear research as well as non-nuclear manufacturing.

Mr Walker suggested raising our bid to allowing 50% of equity ventures. Mr Tebbit argues this would conflict with policy on BTG. The supplementary note from Sir Robin indicates that he is bargaining from strength. Mr Walker, on the other hand, appears to have no other candidates and only three months in which to find one.

I have arranged a meeting for Wednesday, 5 pm, with PW, CH/GC & RTA.

AT 31/5



FILE
VC

10 DOWNING STREET

From the Private Secretary

31 May 1985

CHAIRMAN OF UKAEA

Sir Robin Nicholson has sent the Prime Minister the attached note which was commissioned at his meeting with the Prime Minister last week. She will wish to discuss this with your Secretary of State, the Chancellor of the Exchequer and Sir Robert Armstrong at a meeting next week. This has now been fixed for 5.00 pm on Wednesday 5 June.

I am copying this letter to Rachel Lomax (HM Treasury) and Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

Geoff Dart, Esq.,
Department of Energy.

A handwritten signature, possibly 'RD', in the bottom right corner of the page.



CONFIDENTIAL

W0440

MR TURNBULL

31 May 1985

UKAEA.

1. I would like to ask you to let the Prime Minister know that, as a result of an approach by headhunters, I recently saw Mr Anthony Pilkington, Chairman of Pilkingtons plc over a position in his company and I am seeing him again at the end of next week. I understand Mr Pilkington may mention this to the Prime Minister when he is her guest at dinner on Monday night and I would like her to hear about the approach first from me.

2. The Prime Minister will be aware from our discussion last Friday that, if I am lucky enough to have a choice between future careers in the private and public sectors, I shall find that decision difficult to make. Consequently I feel it is only sensible for me to assess the opportunity I might have with Pilkingtons. I have told Mr Pilkington that the 2-year renewal of my present post lasts until November 1986 but that when I agreed this, I was given to understand that the Government might not prevent my earlier departure if reasonable notice was given so that my successor could be appointed.

3. I am copying this to Sir Robert Armstrong.

RSN

SIR ROBIN NICHOLSON
Chief Scientific Adviser

ENERGY - UKAEA : M0584



COVER LETTER

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31 MAY 1985



CONFIDENTIAL

PM

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W0441

MR TURNBULL

31 May 1985

UKAEA.

1. As agreed in the meeting with the Prime Minister last week, I have produced a short note outlining the alternatives for the future of the UKAEA with the pros and cons as I see them. The suggestion in the second option for a 25% limit on total non-nuclear assets is new as far as I know and I have not thought it appropriate for me to discuss it with the Department of Energy at this stage. In any case I believe the initial decision has to be a political one regardless of mechanics. The first alternative obviously follows Government policy more closely but has technology penalties in the short and medium term because a technological capability can be destroyed overnight but built up only over a period of years. The second alternative is more efficient in its immediate use of technological skills but may create political difficulties, the size and importance of which it is not for me to estimate.

2. I am copyng this minute and attachment to Sir Robert Armstrong.

MSM

SIR ROBIN NICHOLSON
Chief Scientific Adviser



OPTIONS FOR THE FUTURE OF UKAEA

1. As a result of its reasearch and development work in civil nuclear energy, the UKAEA has spun off two substantial successful businesses in nuclear fuel (BNFL) and radiochemicals (Amersham); it has also contributed to a third, less successful, business in nuclear reactor construction (NCC). The Review of UKAEA concluded that the Authority's activity in the nuclear area was likely to decline due to the transfer of some activities to CEGB and BNFL, the receding timescale for fast reactor development and the uncertain future of fusion. It has been agreed that the Authority will conduct its future, still substantial, business with CEGB, BNFL and the Department of Energy on a more commercial customer/contractor basis and that it will operate as a Trading Fund.

2. Following the 1965 Science and Technology Act, the Authority has been able to carry out non-nuclear R & D but not to manufacture or market products and processes resulting from it. The work has therefore been conducted on a contract R & D basis: it currently amounts to nearly 10% of total UKAEA turnover with about one third coming from the private sector and the remainder from Government Departments. No significant new businesses have resulted from the Authority's non-nuclear R & D although the results have been valuable in developing the customers' technological capability. New business development by technology transfer is a difficult skill; modern wisdom is that the R & D contractor often needs either to initiate exploitation of the R & D himself or take part in its exploitation on a risk-sharing basis. At present the Authority is not able to do either of these for non-nuclear R & D.

3. There are two options for the future of UKAEA. In one it would continue in the same range of work as at present but operating on a more commercial basis and improving its non-nuclear transfer of technology through seeking venture capital funding of some of its inventions (as it is now doing). Under these circumstances I envisage a steady decline in the Authority's work, the rationalisation of its facilities and the dispersal of some of its people and skills to the rest of UK industry. Such an action would be in accord with Government's policy to reduce the size of the public sector wherever possible.

4. The alternative option is to balance the decline in nuclear work by an increase in size and effectiveness of the non-nuclear work. The aim would be to maximise the use of the Authority's scientific and technological assets to provide a breeding ground for new technology based businesses for the private sector. For the reasons given in paragraph 2, this requires the removal of the restraints on the exploitation of non-nuclear R & D. Inevitably it will mean some competition with existing private sector business in order to build a better private sector in the future.

5. The advantage of the second option is that it makes better use of the Authority's present capabilities especially in the short and medium term. Eventual privatisation, as the Review suggested, would also be possible although the difficulties remain quite formidable. Before privatisation, there needs to be some limit placed on the Authority's intrusion into non-nuclear business. I suggest that its non-nuclear assets (equity and facilities) should be limited in total to 25% of its total assets. In comparison with previous suggestions of limitation on each innovation, this would allow the Authority commercial freedom to exploit each innovation to maximise the chance of success.

RNSW

SIR ROBIN NICHOLSON
Chief Scientific Adviser

31 May 1985

