

Press 088

211-6402

Rt Hon Leon Brittan QC MP
Chief Secretary to the
Treasury
Parliament Street
London SW1 3AG

R
17/7

15 July 1981

Dear Leon

Thank you for your letter of 7 July.

This correspondence has now been going on for a month and I can see no benefit in prolonging it further. The Severn Barrage Committee sent me their report over three months ago, and I believe it important that I should publish it before the Recess. I note your views, but my proposal has no public expenditure implications, other colleagues who have replied support it and in my judgement it is politically the most appropriate action. I therefore intend to publish the report on 22 July, announcing publication by an arranged PQ and Answer as indicated in my letter of 15 June.

I am copying this letter to the recipients of yours.

Yours
D A R Howell

D A R HOWELL

116 JUL 1961

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in letters

Energy

Treasury Chambers, Parliament Street, SW1P 3AG

Julian West Esq
Private Secretary to
Rt Hon David Howell MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

*R
2/17*

20 July 1981

Dear Julian,

The Chief Secretary has read your Secretary of State's letter of 15 July. He notes that your Secretary of State intends to publish the Severn Barrage Committee's Report on 22 July and issue at the same time a neutral statement inviting comments on the report. He does not wish to press his objections any further at this stage, but, as he has made clear in his letters he believes that it is already plain that the barrage would not be a worthwhile national investment and would oppose strongly proceeding with further studies on the lines proposed in the report.

Copies of this go to the Private Secretaries of the recipients of the previous correspondence.

Yours ever,

Terry Mathews

T F MATHEWS
Private Secretary

21 JUL 1981



C. A. Walker



Energy

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1

7 July 1981

Dear David

SEVERN BARRAGE COMMITTEE REPORT

M 97

Thank you for your letter of 1 July.

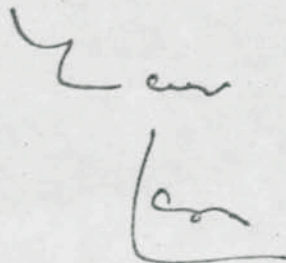
I remain unpersuaded that the Government should adopt a neutral attitude to the report. I realise that you do not seek to argue the economics of the case; but I do not believe it would be right or prudent to ignore the unfavourable assessment by the working party in deciding our public attitude towards the report.

You point out that this assessment will not be available to the public. But it is very doubtful whether a period of public consultation would generate an informed and realistic debate about the project's economics. The Government is unlikely to change its view. Indeed, there is a danger that a period of consultation would generate false hopes predicated on the misapprehension that the Government has a genuinely open mind about the barrage. This would make it more difficult for the Government to say that it did not intend to proceed with the further studies than it would be if we said this now, unless you were prepared to publish our own assessment. In that event, we might be rightly criticised for not having revealed our hand at the outset.

You suggest that the Government should not prejudge the possibility of shouldering some of the risks of the project, but should wait to see if specific proposals come forward from the private sector. I cannot agree with this: it is virtually certain that the Government would end up taking on the lion's share of the risks associated with such a huge project. If, as I believe, we are in a position to decide now that the barrage would not be a worthwhile national investment, it would be wrong to encourage the private firms in the belief that we might be prepared to do this. The experience with the gas gathering project has relevance here. The private sector has so far refused to bear the risks for that project even though its economics are far superior to the barrage's.

In conclusion, I stand by the view expressed in my earlier letter that the Government should express its reservations at this stage, and say that it does not intend for the time being to proceed with further studies costing £20 million or more as proposed in the report.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Duchy, the Secretaries of State for Trade, Industry, Employment, Transport and Wales and to the Minister for Agriculture, Fisheries and Food. A copy also goes to Sir Robert Armstrong and Robin Ibbs.

A handwritten signature in dark ink, consisting of a stylized 'L' followed by 'eon' and a horizontal line underneath.

LEON BRITTAN

Energy

01 211 6402

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Parliament Street
London
SW1P 3AG

✓ Mr Walker

NRBM

1 July 1981

Dear Lea

*TL
1/7*

SEVERN BARRAGE COMMITTEE REPORT

Thank you for your letter of 24 June.

I am sorry that you do not share my view that we should adopt a neutral attitude to the Severn Barrage Committee Report when it is published.

I said in my letter to Michael Heseltine that I thought it important that the Government should be seen to be encouraging public debate about a project of such magnitude and complexity. The Severn Barrage Committee was set up by the previous administration in response to a recommendation from the Select Committee on Science and Technology to advise and assist the Secretary of State for Energy in reaching a decision on whether to proceed with a Severn Barrage. As a Government, we have been prepared to let the Committee complete its work and my Department has continued to fund supporting R & D work. In my view it would be wrong, both politically and presentationally, not to allow the opportunity for wider discussion and debate before we announce our decision. In energy policy terms, it would give the impression that the Government were not taking alternative energy seriously. More important perhaps it could adversely affect our stance on nuclear power if we are seen to ride rough-shod over other options. Opponents of the PWR can be expected to press my officials hard at the Inquiry on the consideration the Government has given to alternatives to nuclear power.

I do not wish to argue the economics of the case. The assessment by officials drew attention to the risks and uncertainties surrounding the economics of the barrage. But this assessment will of course not be available to the public. What the public will see is a report which concluded that a barrage is technically feasible and could be economically attractive under certain assumptions about the future. In these circumstances it would appear precipitate for the Government to say at the time of publication, on the basis of no published evidence and before any public discussion, that the project was so risky that the Government were not

prepared to fund further studies to test its feasibility. We would lay ourselves open to criticism both publicly and in Parliament. I see little harm arising from a period of consultation, which will in fact cost nothing, before we announce our decision.

I am surprised at your dismissal of the possible involvement of the private sector in the financing of the barrage. If the economics of the project are as questionable as the assessment by officials concludes, then Taylor Woodrow and its potential associates (GEC, McAlpines and Balfour Beatty) will quickly come to the same conclusion without significant expenditure of time or money. On the other hand, if the project looks feasible, we surely would not wish to discourage private investment and we should therefore not deter the private sector, given the interest already shown, from working up proposals for handling the project. I note what you say about the likelihood of risk falling to Government, but we should not prejudge the issue before seeing specific proposals.

I am quite certain that it would be preferable to wait until after the period of consultation before I make an announcement concerning the next stage of studies.

I am copying this letter to the recipients of yours.

D A R HOWELL

Howell
David

1 JUL 1981





Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

Prime Minister 2
This is another big project that does not ~~look~~ look justified.
Mr Howell intends to publish the barrage committee's report shortly, and to make a neutral statement asking for views on it. The Treasury want there 24 June 1981 to be no indication whatsoever of a govt. commitment to the project.

SEVERN BARRAGE COMMITTEE REPORT

Fly A I have seen a copy of your letter to Michael Heseltine of 15 June seeking agreement on the terms of the Government's statement on the report's publication. *476*

You suggest a neutral statement on publication indicating neither acceptance of, nor reservations about, the report's conclusions, and announcing a six-month period of public consultation. However all the evidence points to the conclusion that the barrage would not be a good national investment. The only circumstances in which it appears that a barrage might be economically viable would be the failure of the Government's nuclear station strategy. Surely, therefore, it is in fact clear now that it is in reality most unlikely that a decision will be taken in the foreseeable future to build the barrage.

The assessment enclosed with your letter speaks for itself. The appraisal finds that:-

(i) "If nuclear capacity could be constructed, it would always be preferred to the barrage" on economic grounds, as the Severn Barrage Committee recognise.

(ii) The barrage would be "a very large, high risk, one-off project". It is open to considerable risks and uncertainties "which the report does not adequately analyse" and on which the economics of the barrage crucially depend. A 50 per cent increase in capital costs and construction period (not inconceivable in the light of experience with the Thames barrier) and a reduction in energy output of 10 per cent would result in costs exceeding benefits.

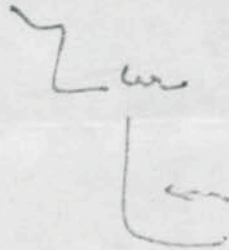
- (iii) A barrage might have some insurance value against an uncertain energy future, but "it would be a very expensive and high risk way of ensuring against unforeseen circumstances such a shortfall in coal supply or nuclear capacity".

A period of consultation is surely most unlikely to alter these judgements about the project's poor economics. This suggest that the Government should not appear too open-minded about the project's merits, and should at least indicate that it has reservations about the economics.

You mention that Taylor Woodrow, GEC and others have said that they might be interested in promoting the construction and financing of the barrage, though of course they have not yet seen the Committee's report. I think that we should be careful not to encourage private enterprise to devote an excessive amount of time and effort to the consideration of a project whose merits are so questionable. In any case, the prospects for attracting private risk capital for a speculative venture requiring some £6bn over a period of 9-12 years are surely minimal. The Government would end up shouldering the risk, whether in the form of overt guarantees or Government-backed contracts with the CEB.

For these reasons I feel that we ought to make clear in the announcement that, given the great uncertainties surrounding the project's economics compared with other forms of energy investment, we do not intend for the time being to proceed with the further studies proposed in the report. The statement might then go on to acknowledge that the report raises wide-ranging issues, for instance concerning the environmental and social impact of a barrage, and to welcome comments on the report from the public.

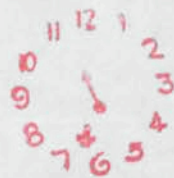
I am sending copies of this letter to the Prime Minister, the Chancellor of the Duchy, the Secretaries of State for Trade, Industry, Employment, Environment, Transport and Wales and the Minister for Agriculture, Fisheries and Food. A copy also goes to Robin Ibbs and Sir Robert Armstrong.



LEON BRITTAN

Energy
April 81

25 JUN 1981





Secretary of State for Industry

Energy

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

22 June 1981

The Rt Hon David Howell
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

Dear David,

SEVERN BARRAGE COMMITTEE REPORT

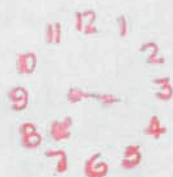
I agree with the course of action proposed in your letter of 15 June to Michael Heseltine regarding publication of the Severn Barrage Committee's Report. It is essential, in my view, that the fullest possible debate should be held in order to arrive at a reliable assessment of the economic and other benefits to be derived from the Barrage.

I am copying this to the recipients of your letter.

Yours,

Kear

22 JUN 1981





Energy

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon David Howell MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1

24 July 1981

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Dear David.

Thank you for copying me your letter to Michael Heseltine of 15 June and the enclosures.

I agree with you that complex schemes such as the Severn Barrage project must be considered carefully and can benefit from informed public debate. I am content therefore with your proposal for a six months consultation period and your draft reply to the PQ announcing this.

I am copying this letter to the recipients of yours.

NORMAN FOWLER

21 JUN 1





2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/15482/81

Your ref:

20 July 1981

Dear David

RM

Thank you for your letter of 15 June and enclosures. I have seen also your exchange of correspondence with Leon Brittan.

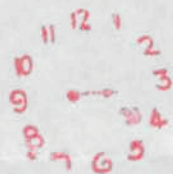
I agree with you that a very complex scheme such as that proposed in the case of the Severn Barrage must be considered very carefully indeed, and that informed public debate is a part of this process. I therefore welcome the proposed 6 month consultation period and am content with the draft answer to the PQ enclosed with your letter. I have asked my Chief Scientist to keep in touch with officials in your Department so that they are able to assess the comments relating to environmental implications of energy supply.

I am copying this to the recipients of your letter.

Yours ever
M Heseltine

MICHAEL HESELTINE

20 JUL 1981



RESTRICTED



Energy A

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000
01-211-6402

Rt Hon Michael Heseltine MP
Secretary of State for the
Environment
Department of Environment
2 Marsham Street
London
SW1

Not my yet

15 June 1981

to the leaders

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16/6*

Dear Michael

I wrote to you on 10 April about publication of the Severn Barrage Committee (SBC) Report and promised that I would write more fully after Easter with an assessment of the report and with recommendations on any further work and on whether a period of public consultation should follow the Report's publication.

The SBC conclude that an Inner Barrage, estimated to cost £5.7 billion, and taking 9-12 years to build from the decision to proceed and providing generating capacity of 7.2GW is technically feasible and could be economically attractive if nuclear generation capacity remained limited and that it would be an insurance against a future in which energy costs were unexpectedly high. The Committee acknowledges, however, that there are considerable remaining uncertainties and that the construction of more nuclear plant would on present estimates be a more economically attractive investment.

Although the SBC's work has covered 2½ years, at a cost of £2.3m, it was not able fully to examine the environmental, social and industrial aspects of a Barrage. It has however identified possible impacts, made preliminary judgements and suggested further work on economic and environmental aspects. This would be included in an Acceptability and Preliminary Design Study, taking up to 4 years and costing up to £20m, which the SBC recommends the Government should now put in hand.

A preliminary assessment of the Severn Barrage Report has now been prepared by two working parties under the aegis of the Official Inter-Departmental Committee on the Severn Barrage (ICOSB), covering,



respectively, Economic/Energy Policy and Environmental/Socio-Economic matters. Their papers and a note summarising their main findings are attached.

The working party on economic and energy policy aspects considers that the report does not adequately take into account the risks involved in such a huge construction project. It is a one-off project with a high risk of increase in construction time and cost. As brought out in the working party's study of sensitivities, the introduction of not unreasonable assumptions about slippage and escalation of the kind which have been all too often encountered on large civil projects would result in the costs of the project exceeding the benefits. Since the main advantage of a barrage would be in fossil fuel savings, it needs to be compared not only with investment in nuclear power but also with investment in alternative energy projects, combined heat and power and energy conservation. Investment in these areas could prove more attractive, being less risky and capable of incremental development, building on experience.

The Working Party on Environmental and Socio/Economic Issues indicated that considerable uncertainty remains both over the acceptability of the barrage and the attendant social and environmental costs and benefits, both considered in isolation and in relation to those of other forms of energy supply.

We now have to decide what statement the Government should make on publication of the report. I am strongly in favour of a neutral statement which neither hints at acceptance of the SBC's recommendation for further work nor expresses reservations about their conclusions.

I have received intimations from Taylor Woodrow, associated with GEC, MacAlpines and Balfour Beatty, that they would be interested in promoting the financing and construction of the Barrage. Obviously they, and other firms, will wish to study the SBC Report in detail before deciding whether to pursue this interest. But we should not include in the statement anything which deters the private sector from giving the report serious study and from working up proposals for handling the project if they wish.

I think it is important, too, that the Government should be seen to be encouraging genuine public debate about a project of such magnitude and complexity. Expression of reservations at this stage would suggest that the Government had no real interest in canvassing public reaction.

I recommend a period of six months for public consideration of the report. At the end of that period, the Government could consider the SBC's recommendation of an Acceptability and Preliminary Design Study in the light of public reaction and of any firm proposals which the private sector may have developed for pursuing the project.



I shall be grateful for the agreement of yourself and colleagues to the enclosed draft Answer to an arranged Parliamentary Question. Copies go to the Prime Minister, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Trade, Industry, Employment, Transport and Wales, the Chief Secretary to the Treasury, the Minister for Agriculture, Fisheries and Food, Robin Ibbs and Sir Robert Armstrong.

Yours ever

David

D A R HOWELL

DRAFT PQ AND ANSWER

TO ASK THE SECRETARY OF STATE FOR ENERGY WHEN HE INTENDS TO PUBLISH THE SEVERN BARRAGE COMMITTEE REPORT

ANSWER

Volume 1 of the Severn Barrage Committee's Report, containing the Committee's main findings and their conclusions and recommendations, is being published today as one of my Department's Energy Papers. Volume 2, which consists of technical material for specialist readers will be published as soon as it is available. I have arranged for a copy of Volume 1 of the Report to be placed in the Library of the House.

The Government welcomes this very thorough Report as a basis for the consultation about the complex issues involved that must now be undertaken. It looks forward to receiving, during the next few months, comments from interested parties on those issues. Decisions, for example, about the further studies recommended in the report, will then be taken in the light of such a public debate.