



HOUSE OF COMMONS

LONDON SW1A 0AA

Jamieson R. Reed

Member of Parliament for Copeland

7

22 September 2006

Mr Mike Parker
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COPELAND BOROUGH COUNCIL
SUSTAINABILITY & NUCLEAR
POLICY UNIT

06 OCT 2006

ACTION/INFO:
PASSED TO

Dear Mike,

Further to my letter of 1 September to the Secretary of State for Trade and Industry, I am surprised to have not yet received a response from you with regard to the proposed sale of Project Services as a separate entity from BNG. I was equally surprised and concerned to read a memo from you to BNFL and BNG employees on 11 September informing them that "...my management team and I are continuing to consult with the Government and other key stakeholders." With regard to myself, Copeland Borough Council and Cumbria County Council, this is entirely untrue. I deeply regret the fact that this communication has misled your employees, many of whom are my constituents.

You will be aware of comments made during a debate on the future of BNG in the House of Commons on 18 May explaining why the sale of BNG as a single entity was (and remains) in the best interests of the UK taxpayer, the UK nuclear industry, and my constituents. I enclose a transcript of this debate for your information.

With this in mind, I was disturbed to read of the proposals to break-up BNG in the media during the parliamentary summer recess. I would be grateful if you will now clarify how and why circumstances have changed to such a degree, in the few months between the original sale announcement and now, to explain this dramatic change.

In addition, I would appreciate it if you would provide me with a copy of the independent advice produced by NM Rothschilds with regard to the sale of BNG. I trust that you will be able to provide me with this information in advance of the BNFL board meeting on 28 September.

This community has stood by your company through exceptionally difficult times at some cost to its reputation for almost forty years; it deserves much better than to be abandoned now without either consultation or explanation.



2.

I would appreciate an urgent meeting, in the presence of the Chairman of the NDA, so that some clarity can be brought to the above issues.

Yours sincerely

J.R. Reed
Member of Parliament for Copeland

Cc Rt Hon Alistair Darling MP, The Secretary of State for Trade & Industry
Hon Malcolm Wicks MP, Minister of State (Energy)
Sir Anthony Cleaver, NDA Chairman
Dr Ian Roxburgh, NDA Chief Executive
Lawrie Haynes, BNG Chief Executive
Gordon Campbell, Chair BNFL Board of Directors
David Bonser, BNFL Board Member
John Edwards, BNFL Board Member
Joe Darby, BNFL Board Member
Bill Lowther CBE, BNFL Board Member
Michael Pavia, BNFL Board Member
Cllr Elaine Woodburn, Leader Copeland Borough Council
Dougie Rooney, AMICUS
Gary Smith, GMB
Mike Graham, Prospect

18 May 2006 : Column 1173

British Nuclear Group

Motion made, and Question proposed, That this House do now adjourn. —[Tony Cunningham.]

1.41 pm

Mr. Jamie Reed (Copeland) (Lab): I am delighted to have secured this debate today on a subject of pivotal importance to my constituency. In fact, although it is of real importance to a number of constituencies throughout the country, nowhere will the effect of the sale of British Nuclear Group be more acutely felt than in Copeland and in West Cumbria generally.

I want to begin by establishing the unique importance of British Nuclear Group to the Sellafield site, Copeland and West Cumbria. I know that the Minister is well aware of these issues, but they bear repeating. British Nuclear Group is by far the largest company operating on the Sellafield site. It employs more than 7,000 people directly, and the site itself employs over 11,500 people. Employment at Sellafield sustains another 5,000 jobs in the wider local community, so in real terms, the site is responsible for approximately 17,000 jobs. Such employment accounts for the majority of the West Cumbria economy and well over 60 per cent. of the economy of Copeland.

Take-home wages from the Sellafield site are in excess of £210 million per year. The site provides, as the Minister knows, high-quality, highly skilled, highly valued jobs. Expenditure from the Sellafield site going into the regional supply chain is in excess of £600 million a year. It provides the lifeblood of the local service industry companies, the hospitality and retail industries, and the bespoke, high-value engineering industries to be found not only in Copeland, but in Allerdale, in the constituency of my hon. Friend the Member for Workington (Tony Cunningham). Local supply chain procurement by BNG is essential in West Cumbria, an issue to which I shall return.

In addition to that contribution to the local economy, in the past 15 years BNG has committed £20 million to the West Cumbria Development Fund—a local economic regeneration body—which, in turn, has helped to lever in a further £10 million worth of European Union funding. BNG has also demonstrated a concerted willingness to work in partnership with the local communities within which it operates, and, crucially, with the trade unions. In my view, it is the trade union members on any nuclear site who are the ultimate arbiters of safety. That is certainly the case at Sellafield, and I am grateful and pleased that the relationship between them and BNG is as strong as it clearly is. It is against that background that my interest in BNG must be understood. I must also state for the record that I am a former employee of the company at the Sellafield site—a fact of which I am extremely proud.

On 30 March, the then Secretary of State for Trade and Industry announced the Government's endorsement of the proposal of the board of British Nuclear Fuels Ltd. to sell BNG. This was expected, and given the remit of the Nuclear Decommissioning Authority under the terms of the Energy Act 2004, completely understandable. The NDA and the UK as a whole require the development of competition within

18 May 2006 : Column 1174

the nuclear decommissioning industry in the UK, in order to achieve the best value for money for the taxpayer. Although I completely accept the logic of that and the need for competition, I hope that the Minister can explain what, if any, consideration was given to the formation of a public-private partnership for UK decommissioning before the owner-contractor model was chosen.

Accompanying the Secretary of State's announcement, the NDA made the wise announcement that it would grant BNG a new five-year contract to operate the Sellafield site. That contract will keep the company, or its new owner, at the site until at least 2012. The Secretary of State said that he expects the sale of BNG to be completed by the autumn of 2007. For my constituents, that means that from next autumn, there will be a new, dominant company operating the Sellafield site. It is essential that that new company understand my community and become an active partner within it.

I have to say at this juncture that neither the Leader of the Opposition nor the shadow Secretary of State for Trade and Industry have shown the faintest glimmer of an understanding of what any of this means. Following the Secretary of State's announcement in March, the shadow Secretary of State issued a press release claiming that that announcement meant that the nation's nuclear liabilities were being put into the private sector. I can only assume that he has not read, let alone understood, the 2004 Act. Those liabilities have remained, and will remain, within the public sector under the ownership of the NDA. That embarrassing lack of understanding does not bode well for the shadow Secretary of State's time on the Conservative Front Bench, or, indeed, for the Conservatives' approach to the nuclear industry in general.

The Leader of the Opposition recently hand-picked one of the country's most vocal and misleading opponents of the nuclear industry to be his energy and environment adviser. That adviser has repeatedly misled the nation about the health and well-being of my constituents, among whom he has spread fear, anxiety and anger. His claims have no scientific or factual basis and constitute little more than malicious scaremongering. So today, I call upon the Leader of the Opposition—sadly, he is not here—to ensure that his high-profile advisers publicly withdraw their comments, or to otherwise sack them.

Mr. Charles Walker (Broxbourne) (Con): Does the hon. Gentleman agree with me that, where nuclear power stations do exist, local communities have come to accept them and value the contribution that they make to such communities, and to the wider generation of electricity throughout the country?

Mr. Reed: I thank the hon. Gentleman for that contribution. He is absolutely correct; indeed, I could not have put it better myself. Speaking as a member of a local

community surrounding a nuclear facility, I can say that that is precisely what such communities believe.

I return to the litany of errors committed by Opposition Front Benchers. Only this week, the new

18 May 2006 : Column 1175

Leader of the Opposition notably failed to back calls for a new programme of nuclear power generation in Britain. I deeply regret his turning his back on the industry, at its time not only of greatest need, but of greatest opportunity. More importantly, at a time when climate change has emerged as perhaps the definitive political challenge of our time, it is a tragedy that Conservative Front Benchers should fail to back the single largest carbon dioxide-free producer of energy—energy that is available not only to Britain, but the world. I implore the Leader of the Opposition to reconsider, and I will happily sit down with him and his shadow Secretary of State—and, indeed, the hon. Member for Broxbourne (Mr. Walker)—and convince them of the nuclear case. This issue is above and beyond party politics. I hope that all parties in the House will be able and mature enough to devise a national consensus on energy policy, and I urge the Conservatives to join me in calling for new nuclear power generation in the UK.

Last week, during a trip to the USA, I visited the Hanford nuclear facility in Washington state before meeting representatives of the Hanford area on Capitol Hill. I learned a lot from that visit, and it is appropriate to compare and contrast the British and American approaches to the nuclear industry. It is important to do so because there are significant differences between the two. Let me make it clear at the outset that I am a passionate pro-American, but that cannot and will not influence my views on what I believe to be right for the Sellafield site and my community.

It is important to understand and be aware of the US nuclear regulatory framework and working practices, because a US-based company is almost certainly going to buy BNG. There may or may not be some involvement from French interests, and a number of consortiums might attempt a purchase. Should a consortium bid for, and succeed in buying, BNG, I could not support the break-up or carve-up of the Sellafield site. That has been done before—notably by BNFL during the 1990s—and it resulted in a deterioration in working practices and managerial accountability structures. Such an approach also compromised safety, so I would need to be convinced that it is now workable. At this stage, I have seen nothing to convince me that it is, and I firmly believe that the Sellafield site is best served by one operator.

In the event of the successful purchase of BNG by a US-based company, I would expect that company immediately and wholeheartedly to embrace the British nuclear industry's working and regulatory practices, and to adopt the British corporate social responsibility culture. That means the adoption of a local supply chain purchasing policy, a close and productive relationship with the trade unions, the establishment and implementation of significant socio-economic development plans for the areas in which it operates, and an effective and satisfactory approach to working terms and conditions—including already amassed pension entitlements—that is acceptable to the existing work force. Fundamentally, it means doing things our way. Above all, it means working safely. The safety of the Sellafield work force and the safety of my community is non-negotiable, whatever other inducements might be proposed.

The British nuclear work force is the best nuclear work force in the world. I can say that with confidence

18 May 2006 : Column 1176

as I have up close and personal experience of it. Standards of safety in the UK industry are better than elsewhere in the world, technological development and applied scientific and research application is amongst the best in the world, and productivity standards are now approaching the best there are as well. It is those attributes that make our nuclear workers, our nuclear scientists, our nuclear engineers and our nuclear working practices among the most sought after in the world.

Speak to any US multinational with a developing interest in buying BNG—and I have spoken to some—and they will explain that an association with the British nuclear industry is the key to opening up the vast nuclear clean-up and decommissioning markets in Russia, former Soviet Union states and eastern Europe. BNG's recent record illustrates that, as the company has successfully decommissioned and cleaned up more than 50 redundant nuclear facilities world wide. The company is also on a sound financial footing, with signs of real further improvements in financial performance this year and in years to come.

The company's profitability has not been achieved at the expense of either productivity or safety, a feat attributable not only to management, but the knowledge and experience of the shop floor. Last year, Sellafield's vitrification plant delivered a record-breaking 503 canisters against a predicted target of 450. By contrast, the US vitrification programme is billions of dollars over budget and in complete disarray. The Sellafield MOX plant recently delivered a second batch of four MOX fuel assemblies to NOK—Nordostschweizerische Kraftwerke AG—in time for its summer reactor reload, and last week signed a new £200 million-plus contract with another continental utility. Those are causes for celebration.

In January 2006, the company completed the clean-up of historic liquid waste from one of the oldest plants at Sellafield, preventing more than 44 years of liquid emissions and saving the taxpayer up to £300 million in potential new building costs. Only last week I was discussing problematic clean-up issues with the US Department of Energy. It highlighted a particular problem in the US with technetium. That is an issue solved by BNG some time ago—I am delighted to say that I was involved in the project—which piqued a great deal of interest among the US Department of Energy officials. If anyone from BNG is listening to this debate or reads the report, I advise them to get down to the patent office as soon as possible, because a significant sum could be made from their unique technological skills and expertise. The market applications are huge.

With regard to safety—we should bear in mind the fact that Sellafield is the largest construction site in Britain and one of the largest in Europe—the current days-away case record rate is 0.23 against a target of 0.28, which is lower than any similar rate among any US contractors currently operating in that country. BNG Project Services has a days-away case record rate of zero and has worked almost 3 million man hours without a single lost-time accident. I could go on, but the point is made. The British nuclear industry places safety above everything else and it is a matter of fact that foreign contractors will have to emulate that safety

18 May 2006 : Column 1177

culture if they want to operate in Britain. We lead the world in that regard and others have a great deal to learn from us.

I cannot guess at the value of BNG in financial terms. However, when assessing the revenue of any potential sale, I ask that the Government consider more than the financial value of the sale. Value is measured in more than money and the highest bidder for BNG may not necessarily be the best bidder for my community. It is imperative that the highest financial bid should not bring with it the highest actual cost to my constituents or any part of the UK in the areas of safety, environmental performance and socio-economic investment and development. Public acceptability of a particular contractor must be considered in the process of any sale, and weight must be given to that in devising the criteria against which potential BNG purchasers are judged.

It must be said, one year after the establishment of the Nuclear Decommissioning Authority, that its presence in my constituency and West Cumbria generally has been enthusiastically received. It has proven already to be a genuinely involved, listening community partner, which has already demonstrated that it has the interests of the West Cumbria community uppermost in its thoughts and actions.

I thank my hon. Friend the Minister for the budgeting process of the NDA. I was concerned to discover in the US that the budget for nuclear clean-up is done on a year-by-year basis, so the budgets are set annually. They are therefore subject to the vagaries of the political process—cut in some years and expanded in others. In the UK, my hon. Friend and the Department have provided a comprehensive, stable framework for nuclear decommissioning and clean-up to take place, and I am grateful for that.

I understand that the NDA will devise the BNG sale criteria, no doubt in conjunction with BNG, BNFL and the DTI. What I now require is significant involvement from the West Cumbrian community in determining what those criteria should be. The socio-economic obligations for both the NDA and its contractors are laid out in the Energy Act 2004, and I now hope to explore with the aforementioned groups the United States National Defence Authorisation Act 1993, especially section 3161, which helps to define the socio-economic obligations of US contractors operating in nuclear decommissioning environments. My hon. Friend will know of the importance of the West Cumbria Strategic Forum and I believe that it would be appropriate if that body were involved in establishing the sale criteria.

Finally, the future of British Nuclear Group is of fundamental importance to West Cumbria. It is vital that its sale be conducted properly, transparently and with the interests of those communities where BNG currently operates upheld at the centre of this process. The successful bidder must be the one who understands the ambitions and aspirations of its host communities and the working practices of the UK nuclear industry. I thank my hon. Friend for his patience and time, and look forward to his response.

1.56 pm

Mr. David Drew (Stroud) (Lab/Co-op): I am grateful for the opportunity to speak in this debate, despite being late, and I apologise to my hon. Friend the Member for Copeland (Mr. Reed) for missing the first few minutes of his speech. I was taken by surprise, but I should have learned that about this place.

I wish to make three quick points. I represent a constituency at the other scale of things from my hon. Friend, in as much as the Berkeley site has been undergoing a fairly organised run-down for some months. The decision to dispense with the nuclear laboratories came as a bit of a shock, but it is pleasing to see that the work will go on. I welcomed the comments by my right hon. Friend the Prime Minister yesterday. In defending the nuclear industry, I have always sought to make the point that it is nothing if it is not its work force. That is the basic integrity of the industry. One can have sites and systems, but without the people, one has no industry. It is vital that we keep those people in place.

So my first point is that it is vital that we keep the presence of the industry in many different parts of the country. That is why I have always fought for Berkeley to be considered, if not as the site of a new nuclear power station—because of problems with the River Severn—but to retain the research and development facilities. I hope that my hon. Friend the Minister will say something about that.

Secondly, we have the issue of the ownership of the sites by the Nuclear Decommissioning Authority. Much as I can see the benefits of separating the providers of services from the ownership of the sites, there are some concerns about possible conflicts of interest. Given that Berkeley is the first decommissioned nuclear power station in this country, a proposal is imminent for the further decommissioning of the old power site, which would be a first in the world. I hope that my hon. Friend the Minister will accept an invitation when the proposal is introduced to come and see how it would take the nuclear industry forward, in terms of solving the waste problem and the issue of the new generation.

My third point is about the relationship of the BNG, whatever form it takes, and other parts of the nuclear industry. It is vital that we do not see contractualisation as the answer to everything. I am concerned that we have no overall picture of what the nuclear industry could look like in five years' time. British Energy, BNFL, AMEC and the various other parts of the industry may have had their weaknesses, and the introduction of foreign investors may or may not be a good thing, but there need to be clarity about the industry's structure. Without that, we will not be able to build the new generation of nuclear power stations, even if that is what we decide to do.

Finally, I totally concur with my hon. Friend the Member for Copeland that BNG is an important company that has been much abused in the past. I hope that my hon. Friend the Minister will give us some food for thought, and hope for the future.

2 pm

The Minister for Energy (Malcolm Wicks): After the previous debate on MPs' pay, it is good to turn to the calmer and less controversial waters of nuclear energy.

18 May 2006 : Column 1179

I welcome the opportunity to comment on the future of the British Nuclear Group. My hon. Friend the Member for Copeland (Mr. Reed) is a great commentator on nuclear policy, and his expertise and experience are always worth listening to. In addition, he has a great reputation in his community, as I witnessed when I visited Sellafield some months ago.

The former Secretary of State, who is now Secretary of State for Education and Skills, announced our intentions in a written statement to the House on 30 March. That statement made it clear that we had approved the BNFL board's recommendation that it should sell BNG through a competitive sale process commencing in April 2007 or earlier. However, there has been much media speculation about how the competitive sale will be conducted. Some of that speculation has been accurate and some of it less so, and my aim today is to provide some clarity on the matter.

I recognise that this debate takes place against a backdrop of some interest in the future of nuclear energy. I shall not say too much about that wider issue, save that I am conducting an energy review on behalf of my Secretary of State and the Prime Minister, and that it will report on these critical questions by the summer.

My hon. Friend the Member for Copeland rightly made some very positive comments about BNG and the Nuclear Decommissioning Authority's achievements since it commenced operations just over a year ago. I should like to echo those sentiments. BNFL did an admirable job in restructuring itself and preparing the ground for the NDA. The management and staff at BNG have coped very well with the transition. I am tremendously encouraged that the NDA's stewardship of the UK's nuclear clean-up has already yielded significant efficiency savings at BNG's sites. It is a very good start, but of course we are looking for very much more.

That is why we believe that a competitive sale is the right route. After careful deliberation, the BNFL board determined a sale to be in the company's best commercial interest and to represent BNG's best chance of operating successfully in the commercial market created by the Energy Act 2004, thereby providing long-term stability for staff. Most important of all, though, the company also convinced us that it would be good for the taxpayer because it is good for the nuclear decommissioning and clean-up programme.

I shall be happy to discuss with my hon. Friend the Member for Copeland the reason why the option of a public-private partnership was not pursued, but essentially it was because BNG would not have the required critical mass.

The decision for Government was not straightforward, and was taken only after extensive consultation with key stakeholders. We were especially keen that the sale should not impact negatively on the NDA's mission, and we have moved forward carefully to ensure that we have fully considered the issues. However, I am absolutely confident that we now have the right result, and one that will contribute to improved clean-up performance for the NDA by introducing external expertise more quickly.

The NDA's competition timetable reflects its broader strategy to prioritise the tackling of the highest

18 May 2006 : Column 1180

hazards. Rather than run its own separate competition for Sellafield, the NDA was able to accommodate the sale by letting a new five-year contract for that site. That will commence next year, at the point when the new owner acquires BNG. The NDA and BNFL will thus work closely throughout the competitive sale process. The aim will be to ensure that the successful bidder is the best available to improve performance substantially, particularly at Sellafield. Therefore, the selection criteria will be focused mainly on issues such as safety, reducing high hazards, driving down costs through better planning and more innovation, accelerating clean-up and improved managed capability.

This debate is not the occasion to discuss the problems involved in nuclear decommissioning, but it is worth noting that they represent some of the really big challenges facing this country in the coming half century. Over the summer, the expert group CORUM will present a report with proposals on what might be called the final resting place for nuclear waste. Those are critical issues.

Mr. Drew: Does my hon. Friend agree that decommissioning represents a global rather than a purely national challenge? Increasingly, global relationships will have an impact on the nuclear industry. We have expertise in some areas, but will also have to borrow expertise from other parts of the world. Likewise, other countries will want our expertise in decommissioning.

Malcolm Wicks: I agree with my hon. Friend. The BNG sale enables us to assess the best bidders and to draw on their expertise, but he is right that Britain has great skills when it comes to nuclear energy. Indeed, we are very good at energy as a whole and we need to seize the chance to become one of the leading countries in nuclear power.

In assessing bids for BNG, the main emphasis will be on achieving value by making sustainable clean-up improvements in the longer term. We will keep in mind the fact that a sustained 10 per cent. efficiency improvement equates to a £200 million saving on the NDA's annual budget, which can be ploughed straight back into more work. Clearly, however, there is still some way to go and it is much too early to speculate about the commercial basis on which BNFL, working with the NDA, will organise the sale process.

It is expected that the competitive sale process will start in April 2007 with completion up to six months later. Details will be updated on the NDA and BNFL websites, but it is currently expected that pre-qualification will occur at the end of the summer. Before the new year, the new draft contract will be shared with pre-qualified bidders, the regulators and other stakeholders on a fully open and transparent basis.

The sale will comprise BNG and all its subsidiaries on an integrated basis: project services, Magnox and spent fuel services will all be included. Following a successful exit from its legacy contracts, BNG America, the US clean-up subsidiary, has already been sold with no continuing liabilities. Magnox has been included on the understanding that its inclusion does

18 May 2006 : Column 1181

not disrupt the Magnox competitions due to start in 2008, or possibly 2009. Given the short time gap between completion of the sale and the start of the competitions, the new owner of BNG will not be expected to make significant changes to the running of the Magnox stations during that period.

BNFL and the NDA have been maintaining a close dialogue with the unions and staff over proposals for BNG and that will continue, with the involvement of the Department as appropriate. I recognise that such fundamental change creates tremendous uncertainty for the work force, so I use this opportunity to reaffirm unequivocally that any BNFL employee whose employment is transferred to a private sector employer will receive the relevant pensions protections set out in the Energy Act 2004; or, where they do not apply, in the Cabinet Office statement of practice for staff transfers in the public sector.

The sale of BNG is entirely consistent with the BNFL strategy review held in 2003, which concluded that UK clean-up should be BNFL's priority. It envisaged that BNG would need to find partners to operate successfully in the new market being created by the NDA. The review also concluded that other parts of BNFL should be run for value and to minimise risk to the UK taxpayer. The sale of Westinghouse has already been announced. In addition, we are considering the future of BNFL's research and development arm, Nexia Solutions, and BNFL is exploring ways of realising value from its shareholding in Urenco.

Mr. Jamie Reed: An important issue came up in my broad-ranging discussions in the US last week with Ron Ault from the AFL-CIO—the US equivalent to the TUC—when we were talking about companies that might have an interest in BNG and which could have a direct impact on the lives of people in my community

18 May 2006 : Column 1182

and those of my hon. Friends the Members for Stroud (Mr. Drew) and for Workington (Tony Cunningham). Mr. Ault said of one company that it would rather climb a tree than do a deal with labour—meaning the unions—and that, at any cost, it would pick a fight with the trade union movement at whichever site it was asked to operate. I shall not name the company, save to say that it has run into terrible difficulties at the Hanford vitrification plant. What is my hon. Friend the Minister's view on the relationship that American companies must have with UK working practices and UK working bodies and representatives on UK nuclear sites?

Malcolm Wicks: I have already paid tribute to the skills of our work force in the nuclear industry. Those skills need to be safeguarded and we need to think about the future when, as with other parts of the energy sector—oil and gas—demographic trends mean that the average age of workers is increasing. We need to attract new people to those industries. It is critically important that whoever takes over BNG has a proper understanding of what these days we call the human relations side of business. I should rather climb a tree myself than jeopardise those important relationships. In any case, such companies would have to contend with my hon. Friend, which would be a formidable challenge.

I hope I have provided clarity on the issues surrounding the BNG sale and the rationale for approving the board's decision. In summary, the Government have been persuaded that it is good for the company, its people, the NDA, decommissioning and,

ultimately, the taxpayer. I thank my hon. Friend and other colleagues for their contributions to this short, early, but useful, debate.