CABINET

ATOMIC ENERGY ORGANISATION: TRANSFER FROM MINISTRY OF SUPPLY TO A NATIONAL CORPORATION

MEMORANDUM BY THE PAYMASTER GENERAL

In my view the time has now come for us to decide to transfer the whole of the Atomic Energy Organisation from the Civil Service to a nationally-owned corporation.

History

2. During the war our atomic energy effort, which was mainly devoted to helping the Americans in critical parts of their undertaking, was kept within a small secret branch of the Department of Scientific and Industrial Research. When it became clear towards the end of the war that we would require a large organisation in this country in order to develop atomic energy, it was intended to set up a nationally-owned corporation for the purpose. This intention was not implemented by the Labour Government which decided to entrust the whole enterprise to the Ministry of Supply. The administrative change was made in the autumn of 1945 and embodied in the Atomic Energy Act of November 1946.

3. Seven years after the end of the war we have still to test our first atomic weapon. We hope to do this shortly but even then it will be some time before we have a stock of weapons. The Russians, starting in 1945 with vastly less knowledge of the problem or of the wartime American undertaking—though unfortunately possessing more information than we then suspected—tested their first weapon in 1949, and certainly now have a not inconsiderable stock.

4. This distressing comparison reflects no discredit on the many scientists, engineers and administrators who have done their utmost to build up our undertaking. It is partly no doubt a result of the ruthless priorities which are only possible in a dictatorship. But we could never have fallen so far behind if our organisation had been more equal to its task. The time we have lost is the sum of thousands of little delays all due to the application of Civil Service rules and conditions.

5. The Conservative Party was at first reluctant to criticise the organisation adopted by the Labour Government. We wished to keep the project out of party strife and we watched with hope and anxiety the great efforts of the first Controller of Atomic Energy, Lord Portal of Hungerford, to overcome the many difficulties and frustrations with which he was confronted. But when Lord Portal resigned and when it became clear that our slow progress was leading to widespread dissatisfaction, both among those engaged within the project and outside, I moved, on 5th July, 1951, in the House of Lords, “That this House regrets the slow progress made in this country in developing atomic energy for peaceful and for warlike purposes and calls upon His Majesty’s Government, whilst maintaining broad general control, to transfer work on this subject from the Ministry of Supply to a special organisation more flexible than the normal Civil Service system under the direct control of the head of the Government.” This was an official party motion and I had every reason to believe that it embodied a policy on which our party was resolved.

30th September, 1952

C. (52) 317

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6. Immediately on the formation of the present Government the Prime Minister stated in the House of Commons that he was considering what adjustments should be made in the existing statutory responsibilities of the Minister of Supply for atomic energy questions and referred to the possibility of an amending Act (15th November, 1951). In the press of business which confronted the new Government, and amid our preoccupations with the dangerous economic situation which we had inherited, it was at first difficult to devote sufficient attention to this problem. In discussions between officials the proposal for a national corporation was criticised, as might have been expected, by those who considered that no expenditure of Government money should be exempted from detailed Treasury control and by those who were afraid to make a big change at this particular time. Certain compromises were examined, including a proposal to set up a semi-Government agency on the lines of the Medical Research Council and also, at the Prime Minister's direction, the possibility of a transfer to the Ministry of Defence. For one reason or another these proposals were all turned down and the Prime Minister announced on 24th March in the House of Commons that "in view of the fact that important experiments are to be made in the autumn of this year" no radical change would be made "for the present."

7. Subsequently, with misgiving, I accepted, within the existing organisation, the responsibilities placed upon me by C. (52) 119. My experience since then has confirmed my view that the existing organisation is unsatisfactory and that a clean break is required.

**Defects of the Present Organisation**

8. The exploitation of atomic energy is the most important step taken by man in the mastery of nature since the discovery of fire. In civil life it offers us the prospect of supplementing, during the next few decades, our straitened coal resources. Less than 100 tons of uranium yearly may generate the whole of the nation's electricity. In the military sphere it will soon dwarf all other weapons and perhaps effect changes in international relations as great as those once wrought by gunpowder in the political structure of Europe.

9. Such an enterprise requires all the imagination and drive which we, as a nation, can furnish. It wants vision, elasticity and rapidity of decision: qualities of mind and outlook which we may hope to find in those who control large and growing industrial enterprises. We alone among the competing nations have chosen to put our atomic undertaking under the control of an ordinary Government department. We have subjected it to the same rules as the collection of customs; it has the same pattern inside the Ministry of Supply as have the Royal Ordnance Factories whose job is the routine production of standardised weapons.

10. We have indeed made the worst possible choice. The Civil Service, for all its great merits, was never designed to handle work of this nature. Rapid progress in matters of this sort can only be expected if the people in charge are given a reasonably free hand. It cannot be made if every decision is necessarily inhibited by precedent and bedevilled by consideration of parities throughout the whole range of the Government service. Full control by Treasury rules is essential to the ordinary processes of departmental administration; it is fatal to the conduct of a high pressure industrial undertaking employing a host of wholly novel techniques whose development is in turn dependent on physical and chemical research being currently pursued on the frontiers of knowledge.

11. One of the most unfortunate results of Civil Service control is the rigidity of salaries and conditions of employment. There is little complaint to be made about the application of Civil Service salary levels to the great majority of employees, i.e., up to the £1,000 to £1,200 a year class, though even here delays occur owing to the need to observe Civil Service Commission formalities in making urgent if junior appointments. It is in the top levels that the main difficulties arise. Here it is frequently essential to fix a personal salary which will attract a particular man for whom industry may be competing. This is barred by Civil Service rules and a difference of a few hundred pounds a year results in a loss of momentum to the project which may cost hundreds of times as much. It has recently proved impossible to obtain a Deputy Controller in the Production Division, though he was willing to come at a salary less than he was receiving in industry. We have since looked in vain for an engineer with his unique qualifications. A similar situation may, at any time, arise in either the research or weapons branches; in neither of these branches has the Director an adequate deputy.
12. Partly as a result of the level of salaries there is a frightening rate of loss of key staff. In the vital weapons division, which is at the very heart of our national security, there is an annual loss which varies between 5 per cent. and 10 per cent. I have corresponded with the Chancellor of the Exchequer to find out whether he could agree to any special forms of contract to improve this alarming situation; and I have been quite properly told that any action of this sort would be an embarrassing precedent elsewhere in the Civil Service.

13. Apart from this special aspect, the general security position is still unsatisfactory. The safeguards rightly devised to protect Government staff as a whole are not appropriate in a special and vital project. The introduction of “positive vetting,” though it has apparently satisfied the Americans for a time, has led to little real improvement. Power is required to make suitable arrangements so that employees can be suspended or dismissed even though definite proof of misconduct is lacking. But this is quite rightly impossible while the project is in the Civil Service.

The Organisation Proposed

14. For these reasons, I am satisfied that the whole organisation should be taken right outside the Civil Service. I now therefore seek the agreement of my colleagues to the setting up of a national corporation which would take over all atomic research and production from the Ministry of Supply, together with the necessary ancillary services. I contemplate that the corporation would have a small executive Board. Members of the Board would be appointed by the Prime Minister, who would answer for it in the House of Commons. The corporation would be financed by a grant-in-aid and its budget and investment programme would be settled annually in advance in consultation with the Treasury. Within its approved budget, and subject to directions which might at any time be given to it, the corporation would have complete freedom. Jealous as Parliament has shown itself of proposals for grants-in-aid, I believe that an overwhelming case could be made in public for this proposal.

Timing of the Change of Organisation

15. I believe that the critical time at which to decide upon, and announce, the change of organisation will be shortly after the forthcoming test of the United Kingdom atomic weapon at Monte Bello. In the first place, as I have already mentioned, the Prime Minister’s statement in the House of Commons on 24th March indicated that no change would be made until after the test. If nothing is said then, it would be held to imply that we had finally decided to continue the present arrangements.

16. Secondly, the size, and to some extent the character, of the atomic energy project is about to change. Its size will increase owing to the switch-over from experimental to production weapons, to the demands of the Chiefs of Staff for increased output of fissile material, and to the new programme for industrial power reactors. All these will mean that the present straitjacket will soon cramp the enterprise even worse than hitherto.

17. The character of the project will be changed by increasing co-operation with industry. Hitherto—although, of course, industry has provided the organisation with a wide range of its requirements on sub-contract—there has been little consultation with industry, and industry has borne no responsibility for any part of the work. This will soon have to be changed. It will not be long before the sheer size of the undertaking will probably force us to entrust some part of the development and management of nuclear plants to industry: in doing so we shall of course only be doing what the Americans have done for the greater part of their programme from the outset. But more particularly, as interest shifts from weapons to power production, it is essential that industry should be brought in—unless the Government wishes to seek to monopolise the production and distribution of electricity and perhaps of heat just because it happens to be generated by nuclear machines. I foresee many obstacles to this most desirable development if the atomic project remains embedded in a Government department. The smooth transfer and loan of individuals between the project and industry will be impeded and the whole process of co-operation will be rendered unnecessarily stiff and vexatious. This is so important a feature of the problem before us that I believe that it should be stressed in public explanations of the reasons for the change.
Indeed, it may be found that this aspect of the matter would even appeal to the
Opposition, whose hostility to a change such as I advocate has only developed in
the last year.

Interim Proposals

18. I realise, however, that even if the decision to make a change is reached
forthwith, it would hardly be possible to get a Bill establishing the Board through
Parliament until the 1953-54 Session and that this means that it will be at best
two years before a Board can be established and the vesting date fixed. After
careful consideration, I suggest therefore that a separate Ministry should be created
forthwith, by a short Act (or if possible by Order in Council), charged with the
responsibility of establishing an integrated enterprise which can be handed over
to the future Board, of preparing the no doubt complex details of the permanent
legislation required, and of carrying on the undertaking in the interval.

19. I emphasise that this proposal for a separate Ministry is an interim
proposal only. As I have been at pains to point out, my major objections are
to Civil Service control as such and no mere shift of departmental management
would provide a satisfactory alternative. Nevertheless, I see some immediate
advantages in having for a limited period a separate Ministry which would be able
to concentrate its attention on the needs of the atomic undertaking, free from the
countless other preoccupations of the Ministry of Supply. Quite apart from the
general issue, it is desirable that an independent Ministry should undertake the
unscrambling of the project from the Ministry of Supply: a task which involves
separating out those elements in the Ministry's "common services" which are
engaged on work for the atomic project. Given goodwill I do not anticipate any
great difficulty in doing this.

Conclusion

20. In conclusion, I would beg my colleagues to face the requirements of the
dawning age of nuclear power. The present makeshift arrangement should not
be allowed to continue. We need an organisation such as I have described which
would be able to use its unhampered initiative in the full development of its
resources, which would be able to work in close co-operation with industry and
which, incidentally, would certainly find it much easier to work with the similarly
constituted American Atomic Energy Commission. If my proposals are accepted,
I am convinced that we shall be able to make far quicker progress than heretofore
and regain the place in nuclear development to which the outstanding achievements
of our scientists entitle us. If these proposals are rejected, and the status quo
maintained, the new Industrial and Military Revolutions will pass us by. Quietly
and imperceptibly we shall lose our place among the nations of the earth.

C.

Paymaster General's Office, S.W.1,
30th September, 1952.