CABINET

NUCLEAR POWER: I.B.R.D. LOAN

MEMORANDUM BY THE MINISTER OF POWER

If the Chancellor of the Exchequer is of the opinion that, in order to augment the reserves and to reduce the overall deficit in the forthcoming Budget, we should seek to negotiate a loan from the International Bank for Research and Development (I.B.R.D.) to the electricity authorities of 50 million dollars and an issue on the New York market of a further 50 million dollars, I would not maintain my objection to this course.

2. I consider, however, that in order to assist the consideration of this matter I should state my reasons for disliking the proposal:

(a) It will require legislation.

(b) It will be most unpopular. Our success in the civil use of nuclear power has been much publicised and the fact that we are now compelled to seek American aid for its prosecution will, I feel, be much criticised.

(c) Mr. Black, the President of the Bank, has made it clear that the Bank could not lend against electricity works as a whole but only against the nuclear power programme. I am suspicious of the motives.

(d) There are still uncertainties attaching to a programme based on a science so new as atomic power. We cannot be sure that in the course of their scrutiny of the programme the Bank, stimulated perhaps by hostile American critics of our nuclear techniques, will not unearth some facts which tend to discredit it.

(e) Information submitted to the I.B.R.D. Board is available to every member country—which means all our potential customers. If the fears expressed in (d) above proved to be justified and an adverse report on our nuclear programme were made to the Bank, our chances (which are at present promising) of doing nuclear business in Italy, Japan and other countries would suffer a serious set-back.

(f) There is no certainty that further loans beyond the present 100 million dollars will be forthcoming.

(g) Any such loan is only a temporary addition to our reserves and will have to be repaid in dollars with interest.

3. In any case I consider that the electricity authorities should not be asked to borrow on the New York market. This, in my view, should be a Treasury operation for the following reasons:

(a) Borrowing by a nationalised industry will not, in my view, be distinguishable from borrowing by the Government, and camouflaged Government borrowing might well invite criticism.

(b) The International Bank Mission gave us to believe that a direct loan to Her Majesty's Government could be floated in New York at a lower rate of interest than a loan to the nationalised industry even if it carried a Government guarantee.

(c) The procedure would be more complicated if the industry were to be the borrower. The electricity authorities would have to file with the New
York Market authorities an elaborate dossier of information about their economic and financial prospects.

(d) Her Majesty's Government already have the necessary statutory powers for a Wall Street loan. Borrowing by the industry in Wall Street would add to the new legislation to be presented to Parliament.

(e) It would be hard to justify making the electricity authorities carry the exchange risk implicit in a dollar loan of this kind, considering that they have no need of dollars for their programme and no means of earning dollars with which to service the loan.

M.

Ministry of Fuel and Power, S.W. 1,
24th February, 1958.