

OFFICE MEMORANDUM

TO: Files

DATE: February 12, 1958.

FROM: C. Allardice *C. Allardice*

SUBJECT: Discussion on Nuclear Power Plant in Southern Italy

A meeting was held at 3 p.m. on Tuesday, February 11 in Mr. Aldewereld's office to discuss in a preliminary way the matters to be considered in Rome on March 10, et seq, regarding the financial structure of SENN and the necessary contracts covering the disposal of power that will be generated in SENN's nuclear power plant.

In attendance were Messrs. Aldewereld, Lejeune, Wheelock, Wenzell, Finne and Allardice, and on the Italian side, Messrs. Pescatore, Bianchi, Orcel, Di Cagno and de Palma.

Mr. Aldewereld opened the meeting by emphasizing the importance in any lending operation of the financial structure and policies of the beneficiary of the loan. He noted that these considerations could be discussed at this time, independent of the question of who the borrower might be.

He then asked Mr. Allardice to outline the present status of the nuclear power project in Italy. Mr. Allardice pointed out that there were in fact two phases of the venture: 1) The study conducted jointly by the Bank and the Government of Italy through the instrumentality of ENSI, and 2) the construction of the plant by SENN, including any financial dealings between the Bank and the builder.

He stated that the ENSI project was progressing satisfactorily and that bids would be received on April 15 - present impression is that of the fifteen firms who have indicated that they would bid, between eight and ten will, in fact, bid. Review of the tenders would probably be completed in large part, in any event, by the middle of June. In the latter part of June or the first part of July the Panel would consider the summary reports of the tenders, and would then prepare its report on them. This should be available to SENN the middle of July and, assuming that SENN requires up to a month to make its final decision, the letter of intent could be executed by the middle to end of August. Thus, Mr. Allardice pointed out, in view of the heavy work load from April 15 onward, it appeared advantageous to begin discussions with SENN at this time, focussing on the financial policies and structure of that company. In this way, the development of the necessary thinking on the financial aspects could proceed pari passu with the review of the tenders.

Mr. Aldewereld emphasized that the key feature seemed to be the nature and scope of the contracts which SENN would enter with its two or more clients.

Mr. Bianchi then responded by saying he agreed that it would be necessary that there be firm engagements by the owners of SENN to take all of SENN's output at a price to compensate SENN for all production costs, plus some dividend - yet to be determined - on equity capital invested. He said also that it would be helpful to the SENN organisation if the Bank could, on a hypothetical basis, assist in the preparation of a series of estimated

runouts of the financial operations of SENN.

As to the first point, Mr. Allardice indicated that the attitude expressed by Mr. Bianchi was perfectly in accord with that of the Bank. As to the second point, a discussion was held among the participants in the conference resulting in agreement that some "arithmetical exercises" might be prepared, but that these were of essentially little validity until the firm costs of the project were known. Since this could not occur until the tenders had been reviewed, it would not be possible to make detailed runouts, but, for the purpose of illustration, one or two examples might be constructed and made available for use in the March meetings in Rome.

Mr. Pescatore raised the question of possible Cassa participation in the lending operations, and said that he would welcome at the earliest possible time some notice of the Bank's position as to whether the loan would be directly to SENN or to the Cassa. After some discussion it was agreed that the Bank would, by the time of the March meeting, be in a position to either indicate its thinking on the matter or at least to present those factors which would influence its thinking. It was suggested by Mr. Wheelock that some indication from the Italian Government as to its preferences would be welcomed by the Bank.*

At the conclusion of the meeting it was agreed by all that the principal effort in the March meeting should be directed to the matter of the substance and mechanism of the proposed contracts between SENN and its clients.

* It was noted among the Bank participants that the possibility of market participation in the loan might have some bearing on this point.

cc: Messrs. Aldewereld
Lejeune
Wheelock