

Prime Minister

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T/05591

Are you content to chair a meeting of NUSC7 to resolve this, if the ministers concerned cannot agree?

MR RICKETT

Yes

Copy to: Sir Robert Armstrong o/r

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28/8SPECIAL NUCLEAR MATERIALS

The Foreign and Commonwealth Secretary's minute of 24 August to the Prime Minister draws attention to the possible international repercussions of a decision to cancel Project DESTINY (the project for the supply from UK sources of highly enriched uranium for submarine propulsion), and reserves his position until all the implications have been considered. (at A)

2. As the Prime Minister will have noted from the Defence Secretary's minute of 31 July, Ministry of Defence officials are working with the United States Department of Energy (DOE) to produce costed options for collective Ministerial consideration. The options will cover all the special nuclear materials projects in the defence programme, not just Project DESTINY. This work has fallen a little behind schedule because the DOE have not yet provided the information which the Ministry of Defence needs. The meeting of officials referred to in paragraph 6 of Lord Carrington's minute has therefore been postponed. But it will be surprising if, in the case of Project DESTINY, the costings do not work in favour of procurement from the United States. (at B)

3. If Project DESTINY is cancelled, the effect on British Nuclear Fuels Ltd's (BNFL) civil enrichment programme will be to reduce its rate of return to a very low (possibly negative) level. The Chancellor of the Exchequer in his minute of 8 July to the Defence Secretary recorded his doubts about the wisdom of allowing BNFL to add to their financing burdens by keeping the civil enrichment programme going in the wake of the cancellation of Project DESTINY.

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4. In the light of the views expressed by Lord Carrington, which are likely to be shared by the Secretary of State for Energy, collective consideration by Ministers will almost certainly be necessary both of Project DESTINY (and the other special nuclear materials projects) and of the future of BNFL's civil enrichment facilities.



5. MISC 7, to which the Secretary of State for Energy would need to be invited, would be the natural forum in which to consider the Defence Secretary's proposals. Although neither the Home Secretary nor the Chancellor of the Duchy, who are members of MISC 7, has a particular interest in the proposals, both were party (in Mr Pym's case as the then Defence Secretary) to MISC 7's original decision to go ahead with Project DESTINY.

6. The mid-September deadline referred to in paragraph 5 of Lord Carrington's minute relates to the expiry of current Treasury authority for expenditure on Project DESTINY. It will be for the Ministry of Defence to negotiate with the Treasury the extension which seems likely to be necessary. Meanwhile, Mr Nott has put work on DESTINY on a tickover basis. But I should be grateful for the Prime Minister's agreement that we can plan on the assumption that a meeting of MISC 7 will be required, possibly in three or four weeks' time. Subject to her agreement on this point, you may care to send a short letter to Lord Carrington's office as follows:

"The Prime Minister has seen your Secretary of State's minute of 24 August. She agrees that Ministers will need to consider all the implications of the proposals when the costed options being formulated by the Secretary of State for Defence are available and she hopes these will be put forward soon."

A handwritten signature in dark ink, appearing to read 'R L L Facer', written in a cursive style.

R L L FACER

28 August 1981

28 AUG 1981

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