Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

SPECIAL NUCLEAR MATERIALS

I have seen the new proposals for the procurement of special nuclear materials set out in John Nott's paper MISC7(82)3. They show significant improvements in economic terms over the previous UK options, and seem to have met in full the valuable competitive challenge represented by the options of full procurement from the US. I am content with them, and see no need for collective discussion.

2. My agreement is given on condition that the Destiny project is immediately cancelled with minimum further expenditure, and that my officials are given an opportunity to comment in good time on the provisions in the contracts with BNFL. In particular, the Treasury will want to be satisfied, on plutonium,

(1) that the price negotiated keeps the total cost to MOD in line with the US option;

(2) that decommissioning and associated costs are adequately dealt with, and

(3) that there is a reasonable settlement on liability in the event of cancellation;

and for HEU,

(1) that the price negotiated is reasonable, and

(2) allows MOD some flexibility as to quantities without price penalties;

(3) that the arrangements for fixed prices on the contract are satisfactory;

(4) that the variation of price clause excludes the possibility of significant real price increases over the prices agreed, and

(5) that any capital indemnity clause represents a reasonable settlement.

3. Copies of this minute go to John Nott, Francis Pym, Willie Whitelaw, Nigel Lawson, and Sir Robert Armstrong.

(G.H.)
2 June 1982