

E.R.
PRIME MINISTER (1)

BNFL PRE-1971 WASTES

A meeting of E Committee in March 1983 agreed that the Government should take responsibility for the costs of treating the radioactive wastes accumulated at BNFL sites before it became a plc in 1971. The argument since then has been about which programmes should bear the costs and whether any additional provision should be made available. You might like to look at your summing up of the meeting at Flag A. Agreement has been reached on the small share of the costs attributable to UKAEA, the Electricity Boards and BNFL itself. All have agreed to bear the costs without additional provision.

As the Chief Secretary's minute reports - Flag B - the remaining argument, confined to the Treasury and MOD, is about the way in which treatment of the 80 per cent of the wastes attributable to past military activity should be financed. These costs could average about £20 million a year for 30-50 years.

- Flag C -

Mr Heseltine argues that additional funds should be made available to the Defence Budget. He puts forward three arguments:

(i) The Government is only bearing these costs in order to facilitate the privatisation of BNFL ie. for reasons completely unconnected with defence. This is a poor argument, as to make BNFL responsible would in effect be to levy a surcharge on BNFL's customers, ie. the Electricity Boards, for the costs of dealing with past military activity.

(ii) MOD reached a settlement with BNFL's predecessors in 1964 which was supposed to include a contribution towards the cost of treating the wastes. The sum set aside of £0.4 million has proved to be a dramatic under-estimate.

(iii) The new costs represent an unforeseen additional charge which should not be met by reducing other expenditure on defence. The Treasury argue that the Defence Budget is a block which is meant to absorb relatively small annual additions of this kind. There is not much sense in adding £20 million to an annual budget in excess of £18 billion.

At present there is an impasse. While there are arguments on both sides, I think the Treasury case has more logic to it. However, it would be very difficult to get Mr Heseltine to absorb the full costs. This points to trying to reach a compromise settlement. One approach would be to ask the Lord President to talk to Mr Heseltine and the Chief Secretary to see if he can reach agreement which would leave MOD bearing some part of the costs. One possibility would be that MOD absorbed the costs arising within the PES period within the Defence Budget but that additional provision be made for subsequent years (or vice versa); or an agreement could be reached to split the costs.

Do you:

(i) wish to pursue the objective of getting MOD to bear the costs, or

(ii) want to see if a compromise could be negotiated? If the latter, should the Lord President be asked to see what he could achieve?

Willing to ^{AT} his for a compromise
but it is a military costs

17 April 1985

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