

PRIME MINISTERGUANGDONG NUCLEAR PROJECT

Attached at Flag A is a minute from Mr. Tebbit which proposes, following the approval of financial support for this project by EX, a profit-sharing agreement with GEC under which they would give up half of any profit above the reference level of 3 per cent of contract value.

Mr. Tebbit considers that this is the best deal that we can get from GEC and asks colleagues to agree to proceed on that basis. The Chancellor, Flag B, agrees with this approach.

Mr. Tebbit also believes that we should regard this arrangement as wholly exceptional. He does not want to be drawn as closely into companies' legitimate pursuit of profitable business as a matter of course. The Chancellor agrees that such cases should be very rare but does not want to rule them out altogether.

Agree:

- (i) subject to other colleagues, to Mr. Tebbit's proposals for profit sharing with GEC; and
- (ii) that, combining Mr. Tebbit's views with those of the Chancellor, such arrangements should be extremely rare and would need to be overwhelmingly justified?

Yes

Yes not

JD

23 August 1984