

MR. WHITMORE

Prime Minister

Would you in principle like to visit Capenhurst
and Risley? Yes - when we visit the NW & W
As regards X1, Ministers should have to reach final
decisions. BNFL *Atkl.*

I had lunch this week with Con Allday, Managing Director,
and Harold Bolter, Secretary of British Nuclear Fuels. I know
them well from my energy/journalistic days. They had two
objectives:

- to inquire whether the Prime Minister, on a regional
visit, might visit their plants at Capenhurst and
Risley in Cheshire - a Conservative area, a notable
technology 'park' and, so far as BNFL is concerned,
a technology of the future; they are likely to want
to get the new Secretary of State to Cheshire before
the Prime Minister, but you may well feel there
are the makings of a good visit here (though see
attached note on BNFL redundancy);

X

- their worries about the possibility that the Govern-
ment is about to buy submarine fuel from the USA
instead of developing BNFL at a saving, they say, of
600 jobs (public and private), giving an impetus to
development of a new technology and providing
an indigenous supply of a strategic material, possibly
with not much difference in cost; their case is set
out in the attached note and you may care to let the
Prime Minister see it.

B. Ingham

B. INGHAM

24 September, 1981

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CONFIDENTIAL

NAVAL FUEL PLANT - Brief by BNFL

1. In January 1980, the Government decided that the highly enriched uranium required to fuel the Navy's nuclear submarine fleet should be produced in the UK and accordingly a letter of intent was given to BNFL for construction of plant to produce the enriched uranium and fabricate the fuel. This decision followed an earlier BNFL design study for MOD which proposed using the gas centrifuge technology which had already been accepted as the most economic method of producing enriched uranium.
2. The material was to have been produced at the BNFL Capenhurst Works in the Wirral where the new technology was being developed and used as part of the British/German/Dutch Tri-National URENCO programme for the production of low enriched uranium for use in civil reactors. This programme has been very successful and commercial plants have already been built and operated to produce material for nuclear power stations throughout the world. However delays to nuclear power station construction programmes has slowed the expansion of URENCO's plants. The order for the submarine fuel was therefore particularly opportune to BNFL in that it helped the viability of the project.
3. Because BNFL believed that the submarine fuel plant would go ahead on the urgent timescale required by MOD the Company acceded to a request from CEGB/SSEB to close down the old gaseous diffusion plant at Capenhurst in 1982 - some three years earlier than the original contract date. With wastage and retirements virtually the whole of the 600 people involved would have been absorbed by the enlarged centrifuge project.
4. In December 1980 BNFL received an instruction to suspend work on the Submarine Fuel Plant pending a review of expenditure by MOD. That review is still proceeding. It seems that the MOD can purchase the necessary material from the US without having to provide the £100m capital required to build the plant over the next 5 years. The standard contractual terms for supply from the US are open - ended in that the price can change at short notice to take into account increased energy costs. Although the US price for highly enriched uranium is currently lower than for UK supply it is increasing at twice the rate because of its much greater dependence on energy costs. There is the additional uncertainty of £/\$ exchange rates. The final cost to MOD may not therefore be very different from UK supply.
5. If the project proceeds BNFL will save about 300 jobs, provide an equivalent number in outside industry, help continue the development of a new technology and provide an indigenous supply of a strategic material.



P/a

10 DOWNING STREET

Mr Buckle

To note.

I have told Mr Ingham
of the (man) Minister's return.

KW

12.12.81

GP

This was a my
papers. Would you add
recent papers on our
recent correspondence with
Sir John Hall

JF

1/12