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PRIME MINISTER

DEFENCE SALES

The attached minute from Mr. Nott is a brief report on what he is doing to improve defence sales.

Most of it is an unexceptionable statement of desirable objectives (paragraph 3) and of sensible practical action (paragraph 2). In paragraph 4 of his minute, however, Mr. Nott is asking to be released from a couple of exercises which you asked for as part of your general interest in the question of improving our export of defence equipment. First, he wants to postpone the Rayner study of the Defence Sales Organisation which you asked Mr. Pym to undertake just before Christmas (a copy of my letter setting out the purposes of the study, which was drafted at your request by Sir Derek Rayner, is attached (Flag A)). Mr. Nott argues that he should be allowed to sort out his sales strategy first and only afterwards should he look at his organisation. There is certainly a logic about his approach. Are you ready to let him postpone the Rayner study for the time being?

Second, you asked a little time ago for a regular report on major defence sales contracts, and in sending the first of these last month, Mr. Nott suggested that he should submit them every quarter. He is now backing away from this and is suggesting that he should involve you in defence sales matters only when he needs your support. This would mean, inevitably, that you would have much less idea of what was going on in the defence sales field than you have now. Do you want to insist on having a quarterly report? Or are you prepared to release Mr. Nott from the obligation to report regularly?

Agree if Mr. Nott wishes but I should have thought it would save time if D.R. started to look at it. He is no stranger to the subject. Mr

Must have quarterly reports.
Mr

K.W.

12 February 1981