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PRIME MINISTER

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TRIDENT

John Nott's note to you of 21 August foreshadowed the US decision, which Weinberger has since confirmed, to develop a Trident II D5 missile to replace the Trident I C4 by 1989. As I understand it, that gives us the option of deciding now to follow the US to D5, and therefore to drop our place on the end of the current (and last) US C4 production line, avoiding the need to commit a further substantial sum in the near future.

2. Clearly this is a most important decision. If we were to keep our place in the C4 production line, but subsequently decide to go for D5, we could waste a substantial sum. If, on the other hand, we were to drop our place, we would be taking a crucial step towards altering the decision we took in MISC 7 last year, and deciding to go for D5 and the larger submarine which it would require.

3. I look forward to seeing the paper which John Nott promised in paragraph 4 of his note. But it might be helpful if I mention now that I am not opposed in principle to D5. I am aware that to go for larger missiles and submarines would involve significantly larger initial capital expenditure. Trident costs would certainly exceed the £5,000 million (at summer 1980 prices) which was the upper limit of the range envisaged when we took our decision last year to buy Trident I, and is the figure on which public attention has focussed. Some of this additional capital cost would fall in the early and mid-1980s. Moreover, D5 is yet to be developed, so that estimates of its cost must be uncertain and may escalate significantly. Yet, despite all these points, my instinct is that



a move to D5 would be right: to be stuck with a system no longer in service with the Americans could in the end prove very expensive - as the Chevaline experience shows - in terms of through-life costs (including maintenance, modernisation, and support costs.)

4. We have recently reconfirmed the decision that all Trident costs must be met from within Defence Budget totals, and John Nott will I am sure be considering how to minimise the extra capital costs of D5. The following three possibilities occur to me:-

- (a) I understand that D5 is a much more capable missile than C4, and that a 12 tube D5 submarine would have a capability superior (in terms of the deterrence options then presented to MISC 7) to the 16 tube C4 system on which we settled last year. The difference in the initial capital cost of a 12 and 16 tube D5 system would be significant.
- (b) The capital costs of D5 could be significantly reduced - perhaps by several hundred million pounds, otherwise falling due in the 1980s - if we were to use US missile processing facilities to the hilt, and so reduce the costs of a new depot at Coulport.
- (c) I understand that the present ageing Polaris motors are to be replaced with entirely new motors from 1986. This project will cost several hundred million pounds between now and 1986. But it will extend the life of the missiles, with their improved Chevaline front-end, which is not yet in service, further into the 1990s. To get proper benefit from the expenditure on remotoring, and Chevaline, it would make sense to review the planned in-service date (1992) for Trident. Relaxing the Trident deadlines would permit substantial economies.

I hope that all three options will be fully explored.



5. I am sending copies of this minute to the Defence Secretary, the Home Secretary, the Foreign and Commonwealth Secretary, and to Sir Robert Armstrong.

G.H.

1st September 1981

CONQUEROR

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