

Qa 06168

To: PRIME MINISTER
From: JOHN SPARROW

Prime Minister 1

I believe this arose at your meeting with Sir J King. But I do not know the upshot,

Shd I endorse X
2 December 1982

Yes please
no on your behalf to Mr Nott's office?
mes 3/12

1. I attach a copy of a cutting from Wednesday's Financial Times. If it is at all accurate (and I believe that it is) it raises an important question.

2. On the face of it, it would seem sensible for one arm of Government needing aeroplanes - in this case, the Ministry of Defence - to acquire them from another arm of Government - albeit an indirect arm in this case, British Airways - when that other arm has surplus aircraft. The only circumstances in which it seems to me that this natural transfer should not take place would be if the MoD could buy aircraft suitable for its needs at a price less than BA can sell its surplus aircraft elsewhere, or if the doubts that have been expressed about the relative timing of delivery of the two types of aircraft reflect a real problem which cannot be overcome.

3. If that is right, and in the absence of over-riding operational circumstances of which I am unaware, the way forward would seem to be for the MoD to invite BA to match the McDonnell Douglas price and for BA to accept that offer unless they can get a better deal somewhere else.

X |
B.

Att.

1/12/82

Nott will decide soon on DC-10 or TriStar tankers for the RAF

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR JOHN NOTT, Defence Secretary, is expected to decide within the next two weeks on the purchase of about four aerial tankers for the RAF, costing over \$200m (£125m).

He will choose either the second-hand McDonnell Douglas DC-10 convertible freighter or the surplus second-hand British Airways Lockheed TriStar Series 500 passenger aircraft.

Both types would need converting to the RAF's requirements for a tanker/freighter aircraft, for use in the Falkland Islands (taking supplies to Ascension Island for onward transfer by ship or Hercules air freighters), and in the aerial refuelling of Nimrod maritime reconnaissance aircraft and Phantom fighters in the south Atlantic itself.

Either the DC-10 or the TriStar would be suitable, but the DC-10's programme cost would be lower, at about \$200m including conversion costs, while the TriStar would cost about \$240m with extra costs for conversion.

British Airways will be offering up to six TriStars for the programme. These aircraft are considered surplus to BA's needs, under its retrenchment programme.

Work on converting the DC-10 would be done by British Aerospace, supported by British Caledonian Airways (already a DC-10 passenger jet operator).

The TriStar would be converted by Marshall of Cambridge. For each aircraft,

Flight Refuelling of Wimborne, Dorset, would provide the necessary in-flight refuelling equipment.

McDonnell Douglas believes that it could provide the RAF with DC-10s sooner than BA could provide the TriStars. It argues that it has already developed a tanker aircraft (called the KC-10) for the U.S. Air Force, whereas there is no comparable aerial tanker version of the TriStar.

British Caledonian would support the DC-10 programme with its engine overhaul facilities at Prestwick, Scotland.

The Ministry of Defence is anxious to get the aircraft quickly and at the lowest price.

McDonnell Douglas believes it can meet both requirements with the DC-10s. Several are already available on the second-hand market and it could have DC-10s in service with the RAF nearly two years ahead of the TriStars, with all conversion work completed.

The decision would have probably been made in the DC-10's favour before now had British Airways not produced its TriStar offer at a late stage in the negotiations. The RAF feels that the DC-10 deal is the best in the long-term.

Mr Nott is expected to make a decision before Christmas, and will include it in his long-awaited supplementary defence statement, which is expected to take account of the lessons learned in the Falklands operation.