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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER MP

Rt Hon Leon Brittan QC
Chief Secretary to the Treasury
HM Treasury
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*please R/F to the
meeting next Tuesday.*

A.S.C. 13/5

12 May 1983

Dear Chief Secretary,

A DEFENCE SUPPRESSION WEAPON FOR THE RAF

I have seen Michael Heseltine's minute to you of 10 May.

Patrick Jenkin and I warmly endorse his decision to buy ALARM.
In my view the crucial factors are:

- (i) the need, on defence grounds, to preserve the relevant technological capability in the UK;
- (ii) the greater contribution which the ALARM programme can make to the maintenance of the UK's defence industrial base;
- (iii) the greater stretch potential of the ALARM missile.

I fully agree with Michael Heseltine's view that the initial extra cost (and development risk) of the British Aerospace bid is outweighed by the greater value for money that ALARM will offer in the longer term. This is in my view an excellent example of the enlightened approach we are seeking to encourage through our public purchasing initiative and one I welcome. The importance which MoD attach to the retention of our indigenous homing and guidance expertise is crucial to the industrial choice. If ALARM were not selected, there would be inevitable expenditure implications in sustaining the technology at the necessary level by other means. I also note that MoD are not convinced that satisfactory alternative means could be found. ALARM also offers the prospect of significant overseas sales, which will serve to reduce the cost differential vis-a-vis HARM.

M91/M91ABV



Finally, it is worth emphasising that British Aerospace's bid is on a fixed cost basis, including all but one of the specification changes sought by the RAF, whilst the costs of the HARM bids are subject to the uncertainties of the US programme. British Aerospace have staked both their money and their reputation on ALARM and their willingness to submit to the discipline of a fixed cost contract must count in their favour.

I am copying this minute to the recipients of yours.

Yours sincerely

Neil Mackenzie

for KENNETH BAKER

*approved by the
Minister & signed in
his absence.*

12 MAY 1983

