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Record of a meeting held at 10 Downing Street on Tuesday 17 May 1983 at 2.45 pm to discuss the choice of a Defence Suppression Weapon for the Royal Air Force

The Prime Minister held a meeting with the Foreign and Commonwealth Secretary, the Secretary of State for Defence, the Secretary of State for Industry and the Chief Secretary, Treasury to discuss the choice of missile to meet the requirements for a Defence Suppression Weapon for the RAF. Sir Robert Armstrong was also present.

2. The meeting had before them a minute dated 10 May from the Defence Secretary to the Chief Secretary, Treasury; a letter dated 11 May from the Chief Secretary, Treasury; a letter dated 12 May from the Minister of State for Industry and Information Technology; a minute dated 16 May from the Foreign and Commonwealth Secretary; and a letter dated 17 May from the Private Secretary to the Secretary of State for Trade.

3. The Defence Secretary said the choice was between two missiles, HARM and ALARM, both of which were basically acceptable to the RAF on operational grounds. HARM was a United States missile which would be available sooner and would be significantly cheaper. The total estimated cost for the RAF's initial requirement of 750 missiles would be £235m at August 1982 prices or £254m if an element of final development and a substantial part of production were carried out in the United Kingdom. ALARM was a British missile which would not be available until a year after HARM and would cost £388m for 750 missiles. The difference in cost reflected the fact that HARM had already been developed at American expense, whereas the Government would have to meet the full cost of developing ALARM. As the number of missiles increased the cost differential would narrow: the break-even point was estimated at 2,700 missiles. The additional cost of the ALARM programme amounted in any one year to only a very small proportion of the defence budget and could be contained within it without serious consequences for the defence programme, although it was of course true that a decision in favour of ALARM rather than HARM would reduce the amount available for other purchases from British industry. The main reason for preferring ALARM was that it would enable the United Kingdom to maintain and develop homing-head and guided missile technology. This area of technology would be of crucial importance to the defence programme in the coming decades. ALARM also had greater potential to counter expected developments in Warsaw Pact air defences, and the development of the system would be under British control. The missile would be developed and produced under a fixed price

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contract with appropriate penalty clauses. On balance he was in favour of choosing ALARM.

4. The Chief Secretary, Treasury said that the investment of some £6¹/₂bn in the Tornado aircraft would be wasted if it were not equipped with a defence suppression weapon as soon as possible. He understood that the Ministry of Defence's own experts assessed that British Aerospace's programme for ALARM was too compressed and should be extended by perhaps two years to have the same credibility as the HARM programme. Such a delay would put the in-service date back to three years later than HARM, and this slippage would be likely to cost British Aerospace some £60-70m. The company could be expected to seek every possible opportunity to overturn the fixed price, and past experience suggested that they would be successful. To go ahead with ALARM could result in the RAF being deprived of funds to develop other important missiles for the 1990s such as the short-range anti-radar missile. It would be possible to preserve the homing-head technology by financing feasibility studies and a demonstrator programme. He understood in any case that the Ministry of Defence had not included this technology in the list of those capabilities which it was essential to preserve in the United Kingdom. The alternative of co-production of HARM in the United Kingdom would also provide jobs in the aerospace industry. Furthermore the choice of ALARM would have adverse effects on our ability to secure contracts for defence equipment from the United States. It would damage the credibility of those in Washington who were arguing the case for opening American defence contracts to foreign competition and put at risk prospective British exports including the Hawk trainer for the United States Navy and the Pegasus engine for the advanced AV8B/Harrier. It would be particularly unfortunate to announce a decision in favour of ALARM immediately before the Williamsburg Summit.

5. The Secretary of State for Industry said that the key question was the value to the defence programme of sustaining a technology capability in this area. He saw no reason to take issue with the Defence Secretary's judgement on this point. The willingness of British Aerospace to offer a fixed price contract suggested that ALARM, although high technology, was not a high risk programme. It would also provide a far larger number of job opportunities and have considerable export prospects. British Aerospace believed that the Ministry of Defence's estimate of sales overseas was too low. It was wrong to buy United States equipment simply in the hope that the Americans would buy British in return. We should adopt the same robust

attitude of self-interest as they did. It was relevant that the argument about transfer of technology to the Allies was still active in Washington. It would be possible to defend the choice of ALARM on the grounds that the United Kingdom could not be certain that similar technology would be made available in future.

6. The Foreign and Commonwealth Secretary said that if the principle of technological independence in this field were so important, it was surprising that tenders from the United States had been sought. It was not possible for the United Kingdom to be independent in every field of defence technology. We had succeeded in bringing trade in defence equipment with the United States nearer to balance and we had a better ratio than other European countries. The British Ambassador in Washington had set out, in his telegram No.1346, the effect on United States opinion of a decision in favour of ALARM: it would give a fillip to the protectionists in Congress and weaken the hands of those who were advocating a balanced two-way street in defence equipment. Sir Oliver Wright had drawn attention to the important role played in this by Senator Tower who represented Texas where HARM was manufactured. He wondered if it might be possible to strike a bargain with the Americans under which, in return for the purchase of HARM, the United Kingdom would be given participation in a high technology American programme. In any case it would be important not to announce a decision in favour of ALARM before the Williamsburg Summit.

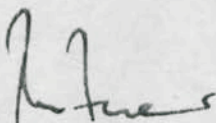
7. In the discussion it was noted that the Air Staff considered that ALARM had serious operational deficiencies. Although an allowance for their correction had been included in the cost estimates the technical problems still had to be overcome. It was estimated that in the absence of an effective defence suppression weapon the attrition rate of the Tornado would at least double between 1985 and 1990. The choice of ALARM involved a judgement being made about the chances of a European conflict occurring before the weapon was available. ALARM would be a more advanced weapon than HARM, but the Americans would develop HARM and offer to the United Kingdom a developed version at the same price as it was being sold to United States forces: to that extent the final price was not within our control. With ALARM, it would be the Ministry of Defence's job to resist any attempt by the contractor to evade the terms of the fixed price contract. It was in any case likely that the RAF's requirement for missiles would increase from the initial 750 to nearer 2,000. It was by no means clear that financing a demonstrator project to keep the vital technology alive in

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this country would be enough to place British industry in the position of being able to compete on equal terms with the Americans for future systems. Nor was it likely that the Americans would allow British firms to participate in the development of advanced technology to meet United States requirements in return for the purchase of HARM.

8. The Prime Minister, summing up the discussion, said that no decision on the choice of system should be made at present. Sir Oliver Wright's suggestion that we might seek to persuade the Americans to offer Marconi an opportunity to participate in the development of improved seeker head in return for the purchase of HARM should be studied. While it was preferable to buy British defence equipment and to keep the technological capability in this country, it was essential to know whether British Aerospace and the other companies involved would be able to meet their stated in-service date for ALARM at the agreed price; a more detailed analysis should also be carried out of the export potential both of ALARM and of HARM under the co-production programme. Ministers should consider the matter again after the Election, taking account of the points raised in the discussion.

Distribution: those present and
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