

Ref. A083/2199

PRIME MINISTER

A Defence Suppression Weapon for the Royal Air Force

(C(83) 28)

BACKGROUND

The Defence and Overseas Policy Committee, at its meeting on 30 June, instructed me to prepare a note of the facts and issues on the choice of a Defence Suppression Weapon for the Royal Air Force. I have circulated this as C(83) 28, which replaces the earlier paper C(83) 22.

2. The issue of the choice between the two missiles, the American HARM and the British ALARM, has been transformed by British Aerospace's new offer, mentioned in the Defence Secretary's minute of 15 July, cutting £97 million off the price for 750 ALARM missiles. In return, British Aerospace would charge more for any missiles purchased above the original 750. As a result, for 750 missiles, HARM is now only £37 million (15 per cent) cheaper than ALARM, on the basis of the Lucas proposals for co-production. The Chancellor of the Exchequer has written to the Secretary of State for Industry on 21 July to draw attention to the need to discuss also the effect of the new British Aerospace offer on the company's financial position.

3. Nevertheless, there are still areas of uncertainty and differences between Departments on:

- (a) the risks involved in the ALARM programme, particularly the risk of delay (paragraphs 10);
- (b) the final cost (paragraphs 11 and 12);
- (c) the effect of the new offer on the finances of British Aerospace (paragraphs 14 and 15);
- (d) the importance of ALARM to the United Kingdom's homing-head and guided missile technological base (paragraphs 16-20).



4. Although the price of ALARM has now been brought closer to HARM, the cost of ALARM will still exceed the cost of HARM by £98 million in the Public Expenditure Survey years 1984-85 to 1986-87 (paragraph 22).

D 5. My paper deals only in passing (paragraph 20) with the proposal made by the Foreign and Commonwealth Secretary in his minute of 19 July to the Defence Secretary that a team should be sent to Washington to pursue with the Americans the scope for collaboration with Texas Instruments on the HARM programme. Ministry of Defence officials have advised Mr Heseltine that they see no merit in this proposal and the Defence Secretary is likely to have replied by the time of the Cabinet discussion.

E 6. The Defence Secretary has also circulated a minute dated 15 July informing the Cabinet that a decision will have to be taken in the fairly near future on the choice of a new surface-to-surface guided weapon for the Royal Navy, in which many of the same issues will arise as in the choice between HARM and ALARM. But he does not want the HARM/ALARM decision to be held up on that account.

E 7. The Chief Scientist, Dr Nicholson, sent you a note on 8 July drawing your attention to the point that developing advanced defence equipment can draw away key people in industry from activities which offer the greatest opportunities for economic expansion, and doubting the value of the fixed price offered by British Aerospace for ALARM.

HANDLING

8. I suggest that you might introduce the subject by saying that it has been discussed twice by the Defence and Overseas Policy Committee, where views were divided. Since then fresh offers have been made by both British Aerospace and Lucas/Texas Instruments. The paper circulated to the Cabinet presents the facts and issues in a neutral way and indicated where Departments have differing views. You should then invite the Defence Secretary to introduce the subject and give his recommendations: you should then ask the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and the

Secretary of State for Trade and Industry to give their views before inviting a general discussion.

9. Discussion should focus on the following issues:

- (a) are the risks involved in a choice of ALARM acceptable? ALARM must be something of a gamble because if things went wrong there could be a gap in the RAF's operational capability and a hole in British Aerospace finances;
- (b) should the Government, before taking a decision, ask British Aerospace for a financial appraisal, as the Treasury suggest, or rely on the company's commercial judgment, as the Department of Trade and Industry recommend?
- (c) how important are the technological factors? The Ministry of Defence judge it essential on defence grounds to retain a technological base in this country in the area of homing-heads and guided missiles generally. Are there wider national grounds? Would this have spin-off for the civil sector and lead to the creation of real jobs? How important in any case is ALARM to this? Could the same - or possibly better - benefits be secured by collaborating with the Americans on HARM? And are we in danger of devoting too much of our skilled management to defence projects which have poor export prospects at the expense of other projects which could be sold worldwide?

What other projects

10. Whichever missile the Cabinet prefer, they will wish to give some thought to presentation.

- (a) HARM: a decision to buy HARM could clearly not be presented as having been taken because the Government did not believe the delivery promises made by industry and backed by industry's own money. Nor could it be easy for the Government to say that, as a major shareholder in British Aerospace, it was concerned for the effects on the company's finances if ALARM were chosen. The case for HARM would therefore rest on the lower cost, especially

in the years 1984-85 to 1986-87, the industrial participation offered by the Americans, and the more favourable export prospects (sharing in the American and third country markets for HARM).

- (b) ALARM: a decision to buy ALARM could be presented as reflecting the importance attached to support for British technology in a field essential to our future defence needs. But very careful explanations in Washington, both to the Administration and Congress, would be required.

CONCLUSION

11. If the balance of opinion in the Cabinet favours HARM, you will wish to consider whether it would be sensible, before taking a final decision, to send a team to Washington to pursue the scope for greater collaboration with Texas Instruments on the programme, and on the enhancement of HARM: there may be more here, and it would not do any harm (sorry!) to try.

12. If the balance of option in the Cabinet is in favour of ALARM, you might seek to guide the Cabinet to the following conclusions:

- (a) Although the development of ALARM represents a risk, it is a risk which is backed by the commercial judgment of British industry. The Government should ^{not} appear to be trying to "second guess" that judgment.
- (b) Equally, there can be no question of the Government rescuing industry from the consequences of their judgment if it turns out to be optimistic.
- (c) On the basis that the Defence Secretary is prepared to absorb the extra cost of ALARM, whatever the outcome of this autumn's PESC discussions, a decision should be taken in favour of ALARM on the grounds that it provides support for a technology which is essential on defence grounds to retain in this country.
- (d) An immediate approach should be made to the US Government to explain the reasons for our decision.



13. In either case, careful thought will need to be given to public presentation. The Secretary of State for Defence might be invited to agree a draft statement, with you, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

RF

Approved by
ROBERT ARMSTRONG

ad signed in his absence

22 July 1983

Deane
Horn + Harris
March 8



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Ref.A083/2265

PRIME MINISTER

Cabinet: A Defence Suppression Weapon for the Royal Air Force

flag A. There is nothing of substance to add to my brief for the discussion in Cabinet on 26 July.

2. On handling, you may like to invite comments from those members of the Cabinet who did not have time to give their views on Tuesday, particularly the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry.

3. If a final decision is reached, the Secretary of State for Defence has in mind to announce it by means of an oral statement after Questions the same afternoon, 28 July. As I suggested in my earlier brief, he might be invited to agree a statement with you, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry; and it will of course be necessary for an urgent telegram to be sent to Washington to give our Ambassador instructions to inform the United States Administration. I understand that letters have been prepared from Mr Heseltine to Mr Weinberger and from Mr Pattie to Senator Tower (the Senator from Texas and Chairman of the Senate Armed Services Committee).

RIA

ROBERT ARMSTRONG

27 July 1983



*Pl. put in the
PM's Cabinet folder*

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

CONFIDENTIAL

F E R Butler Esq
Prime Minister's Office
10 Downing Street
London SW1

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25 July 1983

Dear Robert

My Minister has already notified the Prime Minister that he has to be in Brussels to attend a Council of Fisheries Ministers today and tomorrow. He cannot therefore attend Cabinet tomorrow, 26 July, but he asks if you would kindly remind the Prime Minister that he supports ALARM.

*Yours sincerely
Robert Lawson*

ROBERT LOWSON
Private Secretary



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Prime Minister

A. & C. 2/7

Rt Hon Michael Heseltine MP
 Secretary of State
 Ministry of Defence
 Whitehall
 LONDON
 SW1

25th July 1983

D Michael,

HARM/ALARM

I read with interest the paper C(83)28) which Cabinet is to discuss tomorrow. As I will not be able to take part in these discussions, I am writing to let you and colleagues know my views.

On balance I favour purchasing ALARM. I believe it important that we have the technological capability to produce our own weapon, and I suspect that if we did not have this potential, Texas Instrument would be unlikely to offer HARM (or its successor) to us at a reasonable price.

I am sending copies of this letter to Cabinet colleagues and to Sir Robert Armstrong.

J. e.
Norman

5 JUL 1983

