



SECRET

PRIME MINISTER

Future Lightweight Torpedo
(OD(79) 17)

BACKGROUND

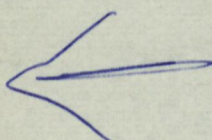
Our forces need a new lightweight torpedo (LWT) for the 1980s. Our present (American) ones are obsolescent. The Secretary of State for Defence's paper (OD(79) 17) argues that we should go on developing and produce our own LWT, Sting Ray, at an estimated total forward cost of over £700 million which he is prepared to accommodate within the Defence Budget. The Chancellor of the Exchequer is expected to argue that we should instead make do with an American option, Neartip, which is estimated to cost only £200-£250 million. The Secretary of State for Defence would not regard this as militarily adequate; and the Chancellor is not likely to press his opposition.

2. The above cost estimates are at 1979 prices. The Sting Ray figure is £800 million, less £75 million already spent. It has risen by over 30 per cent since 1977, in real terms. Our track record with torpedo development has been bad: the previous LWT project had to be cancelled before completion, and our existing heavyweight torpedo had a chequered history before coming into service. Commercial management of Sting Ray, by one of Sir A. Weinstock's Marconi companies, has been bad. But the Secretary of State for Defence believes that it will improve in the light of new arrangements, including an incentive contract, now being worked out.

3. For the 1990s we shall need a new LWT generation. If we go for Sting Ray, it could be followed by a stretched version, Barracuda, on which collaboration with the French may be possible. If we went for Neartip, we should have to buy the Advanced LWT which the Americans are just starting to develop (collaboration with the United States is not expected to be possible). The cost of these alternatives is unknown.

4. If Sting Ray was cancelled, the British torpedo industry would probably not survive. This would be an industrial and military loss. But the employment effect would not be serious.

But see his mind below. 247





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HANDLING

5. You will wish the Secretary of State for Defence to introduce his paper and the Chancellor to comment. Key points for the subsequent discussion are as follows:-

- (a) The Military Requirement. How important to us, operationally, are LWTS? Why are the Americans content with Near-tip for the 1980s? Why are the French content to carry on through the 1980s with weapons we regard as obsolescent? The answers probably lie in the fact that only Sting Ray can hope to prevent Soviet submarines, in our shallow coastal waters, from cutting the sea communications on which as a far from self-sufficient island we so heavily depend.
- (b) Cost Considerations. How likely is further large cost escalation in real terms? If the cost does grow, can the Defence Budget still absorb it? Above all, is the Secretary of State for Defence satisfied that the new arrangements envisaged will prevent Sir A. Weinstock from achieving vis-a-vis the Government the heads-I-win-tails-you-lose position enjoyed by the manufacturers of Concorde?
- (c) Collaboration Prospects. How reliable are the prospects of French collaboration on LWTs for the 1990s (Barracuda)? How important are they in the general pattern of our industrial and technological relations with France? Could we not also try to interest the French in collaborating on at least the production of LWTs for the 1980s (Sting Ray)?
- (d) Export Prospects. Against the competition of the Americans, with their larger production runs, how real are our export prospects for Sting Ray or for Barracuda? Which countries do we hope to interest? How? When? If the Americans are serious about Alliance weapon standardisation, as something more than a euphemism for everyone buying from them, should we try to interest them in buying from or collaborating with us in this field where we expect to have the edge in terms of military effectiveness?

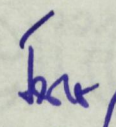


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CONCLUSION

6. Subject to the discussion you may wish to guide the Committee to conclude:-

- (i) that we should continue with Sting Ray as proposed by the Secretary of State for Defence;
- (ii) that the management and cost of the project should be much more carefully monitored than in the past;
- (iii) that prospects for collaboration and exports should be more actively pursued.


John Hunt

20th July, 1979