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PRIME MINISTER

FUTURE LIGHTWEIGHT TORPEDO

The Defence Secretary recommends in OD(79)17 that we should continue development and production of Stingray at a total estimated cost of £700 million at September 1977 prices (around £800 million at today's prices).

2. The alternative is to buy Neartip from the Americans at a total estimated cost of £150 - 200 million at September 1977 prices (less than £250 million at today's prices and exchange rates). The cost difference is therefore some £550 million. The operational arguments in favour of Stingray would need to be exceptionally strong before they could overcome such a compelling financial case.

3. In considering this balance, we must give adequate weight to the following factors:

- (a) The cost estimates for Stingray have grown explosively. The original development contract (approved in 1973, to be in service by 1979) was at an estimated cost of £26 million. Today's estimate of the development cost (for service in 1983) is £260 million. Even since 1977 there have been real increases of 45 per cent and 27 per cent in the costs, respectively, of development and production.



- (b) Stingray has already suffered major technical setbacks and, although £75 million has already been spent, there are still significant risk areas (warhead, propulsion and homing systems) which could lead to further time and cost overruns; Neartip however is a modification of a proven torpedo (the Mark 46) already in use in the Royal Navy;
- (c) Neartip is considered adequate to meet the US Navy's operational requirements through the 1980s and is likely to be purchased by other NATO navies. There are few signs of overseas interest in purchasing Stingray.
- (d) Neartip, while not fully meeting the Royal Navy's operational needs, will allow some improvement in capability over the present Mark 44 and 46 American torpedoes the Royal Navy operate, and could be in service in substantial numbers at least a year sooner than the earliest deliveries of Stingray.
- (e) The industrial and employment arguments in favour of Stingray are not strong. It does not seem essential to establish an indigenous torpedo building capacity to duplicate that in the US on which we and other NATO allies have relied hitherto. Cancellation of Stingray is said to give rise to "no significant employment problems".
- (f) The advanced lightweight torpedo (the planned US successor to Neartip) has better design specification than Stingray, should be available to us within five years of the time Stingray will enter service in numbers, and would enable us to avoid the expense of developing a Stingray successor (theoretically in collaboration with allies but in practice much more probably on our own).



4. If we develop Stingray to completion we shall have established an indigenous torpedo making industry, at heavy cost, which will lay claim to future orders and support, whether or not we can meet our requirements more economically from existing US sources. The additional cost of Stingray over Neartip (the bulk of which arises in the shorter term, when our public expenditure difficulties are at their most acute) adds to the substantial and growing pressure which the defence budget imposes on national resources. Purchase of Neartip would however free significant resources for alternative use. In my view the financial considerations point overwhelmingly to the cancellation of Stingray and the purchase of Neartip, and in due course the advanced lightweight torpedo, from the Americans.

5. I am sending copies of this minute to the other Members of OD and to Sir John Hunt.

(G.H.)

R/23 July 1979