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MO 25/3/4

5th December 1980

Mr. Chris.

MSDS INVITATION TO THE PRIME MINISTER TO OPEN THE NEW
STINGRAY PRODUCTION FACILITY ON DEESIDE IN APRIL

with C.A.W.
/ You asked me about the invitation which the Prime Minister had received from Lord Weinstock to open the new Stingray factory. I have as you suggested taken soundings in the Department and to save time perhaps the simplest thing would be to refer you to the attached note from the Private Secretary to the Chief of Defence Procurement. The conclusion is of course one which we endorse. I hope you have a highly successful visit!

*James M.
Baker*

(B M NORBURY)

C A Whitmore Esq

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CHIEF OF DEFENCE PROCUREMENT

CDP 2/1/1315

PS/Secretary of State

MSDS INVITATION TO THE PRIME MINISTER TO OPEN A NEW STINGRAY
PRODUCTION FACILITY ON DEESIDE IN APRIL

1. You asked for advice as to whether or not the Prime Minister should accept an invitation from Lord Weinstock to open in April a new MSDS factory at Neston, on the Dee Estuary, in Cheshire, which is to be used for Stingray assembly work.
2. The new factory will provide about 100,000 square feet of working space on a site of 22 acres and the capital cost is said to be between £10M-£15M. It will provide about 250 jobs locally by the end of March 1984 and 450 jobs by 1985. The factory was originally intended for microchip work and the local council (the Ellesmore Port Council) have apparently offered considerable opposition to the change of use as they would have preferred the prestige of microchip work and frowned on defence work. The factory will handle the assembly of all production for under-water weapons contracts, including the Mark 24 torpedo, and the first Stingray production acceptance vehicle is due off the line at Neston on 1 April 1984.
3. There would be a precedent for the Prime Minister's opening this new factory in that Mr Callaghan when Prime Minister opened the factory at Portsmouth where Stingray components are being manufactured.
4. There are at the same time one or two potential sources of embarrassment that might be mentioned to the Prime Minister:
 - a. The defence programme is still under review in the light of further economies that may have to be made next year to compensate for any overspend this year, and Stingray, as a big lump of uncommitted production expenditure, clearly cannot be regarded as entirely invulnerable, although the project is going very well and other things being equal would certainly not be a candidate for cancellation.

/b.

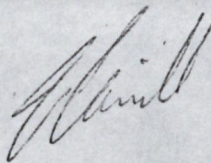
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b. A decision is due about the middle of next year (consideration by the DEPC is scheduled for May) on meeting our heavy weight torpedo requirements, when the choice will lie between the US Mark 48 torpedo and proceeding with our own heavy weight torpedo, which is at present under feasibility study by MSDS, and there is, of course, the possibility of a decision disappointing to MSDS.

c. The Public Accounts Committee have this year reported on Stingray, commenting on the considerable escalation to its cost and on the fact of its costing considerably more than its American alternative, and the project is to be the subject of further enquiry by the House of Commons Defence Committee in January, and by the PAC itself, on the basis of the Treasury minute responding to their report, in February.

5. It is unfortunate that we have to advise the Prime Minister at a time when the future of the defence equipment programme is under review. Clearly any judgment has to be on the basis of our current perception of the budgetary situation and it seems most unlikely that there is serious risk to the work to be undertaken at Neston. On balance therefore CDP does not believe that advice against accepting the invitation would be warranted.



5 December 1980

I. HAMILL
PS/CDP

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