

bc Ingham
Duguid

ds

10 DOWNING STREET

From the Private Secretary

17 December 1981

Heavyweight Torpedo

The Prime Minister is grateful for your Secretary of State's minute of 15 December about the completion of the contracts with GEC/Marconi for the purchase of the heavyweight torpedo.

The Prime Minister has commented "excellent". She is content, subject to the views of her colleagues, for your Secretary of State to complete the contracts and to make an announcement as he proposes.

I am copying this letter to the Private Secretaries to the other members of OD and to David Wright (Cabinet Office).

M. C. SCHOLAR

David Omand, Esq.,
Ministry of Defence.

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



Prime Minister

(1)

MO 26/3

PRIME MINISTER

Content, subject to the
views of colleagues?

MUS 15/12

HEAVYWEIGHT TORPEDO

At OD(81)4th Meeting on 8th September, the Committee agreed that, subject to satisfactory financial and contractual arrangements, the heavyweight torpedo under development for the Royal Navy by MARCONI Space and Defence Systems should be purchased. The new torpedo is vital to the future ability of the Royal Navy to deal with the massive and increasingly sophisticated Soviet submarine threat. I obtained the agreement of my colleagues to continue negotiations with GEC/MARCONI with the object of removing the extra cost of the British torpedo, compared with its US competitor in the early years.

2. I am glad to report that, after some tough bargaining, we have struck a deal with Marconi on the cash flow arising from the combined fixed-price contract for STING RAY and the heavyweight torpedo which will totally remove the difference in expenditure with the US torpedo over the period up to 1986/87, which had been assessed at £55m. This will be achieved without affecting the fixed price offer or planned in-service dates of either STING RAY or the new heavyweight torpedo. We have also reached satisfactory agreement with the Company on all other major aspects of the contract, including the division of profit on overseas sales.

3. I, therefore, propose to authorise the completion of the contracts with GEC/MARCONI and to make an announcement later this week.

4. I am copying this minute to other OD colleagues and to Robert Armstrong.

Ministry of Defence
15th December 1981

SN