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MINISTRY OF DEFENCE  
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MO 26/8/1

16th September 1983

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Dear John,

h.c.

In your letter of 15th September to Richard Mottram you asked for advice on a letter which Mr Michael Alison had received from Mr Michael Morris MP about the possibility of the Royal Dutch Navy buying Rolls Royce engines for their new frigates.

A brief covering MOD aspects of the Prime Minister's visit has already been provided by officials to the FCO for co-ordination; but I attach a revised extract of that brief which relates to the procurement by the Dutch of new 'M' class frigates.

Mr Geoffrey Pattie, the Minister of State for Defence Procurement, had discussions on this subject very recently with senior Netherlands officials and also with representatives of Netherlands industry at the Royal Navy Equipment Exhibition. Following an exchange of letters between Ministers here and the Dutch Defence Minister it has been agreed that National Armament Directors will meet, hopefully in October, to discuss the question of reciprocal equipment purchasing.

On Mr Morris' point about the Royal Navy's possible purchase of "Goalkeeper", evaluation of competitive systems is still under way, and a final decision is not expected until early next year. On the question of offset on any order for engines, Rolls Royce have now confirmed that they have made an offer of 100% offset to the Royal Netherlands Navy following discussions at the Royal Navy Equipment Exhibition.

A copy of this letter goes to John Holmes (FCO).

Yours ever  
 Barry Neale

(B P NEALE)

A J Coles Esq

BRIEF FOR THE PRIME MINISTER'S VISIT TO THE HAGUE

EQUIPMENT FOR THE M CLASS FRIGATE

Points to Make

1. Trust Dutch will look seriously at British equipment. In particular Rolls-Royce Spey Engines and Vertical Launch Sea Wolf.
2. For it's part, UK evaluating Dutch GOALKEEPER as Close In Weapon System for the latest batch of 4 Type 22 Frigates.
3. There is clearly a very good opportunity here to establish a good defence trade relationship.

Essential Facts

1. Dutch Navy is to build 8 new Frigates. First ships to be ordered at turn of year. Programme brought forward because of Dutch shipyard bankruptcy.
2. Very good opportunities for UK equipment. Up to £20M per ship. But NL government has strongly implied need for UK reciprocal purchase of Dutch equipment for RN.
3. Dutch have good chance of selling GOALKEEPER to RN. Along with Vulcan Phalanx (US), SEAGUARD (Swiss) and SEADRAGON (Vickers) it is a contender to meet UK requirement for Close In Anti Missile Defence for initially 4 Type 22 Frigates. Our strategy is to use this prospect to propel the Dutch toward choosing UK equipment for the M Class. Schedule of M Class build requires Dutch to take at least the decision on engines before the end of this year. UK is not likely to take decision on Close In Weapon System until February 1984.



4. It has been agreed between Defence Procurement Ministers that senior officials of both countries will meet in October to discuss these prospects.

5. NL/UK Defence Trade Balance has been about 4:1 in UK favour. NL Government policy is to seek broad defence trade balance. However defence trade accounts for less than 1% of the c.£4,000 M each way trade between the two countries.

6. Type 996 Radar NL government officials were told at RNEE that the Dutch SMART radar has failed to win the RN competition for a long range surveillance radar. Unit costs were much higher than those of Plessey who offered the chosen system.



CCFCO

He

10 DOWNING STREET

*From the Private Secretary*

15 September 1983

Prime Minister's visit to the Netherlands: possible  
Dutch Naval order

I enclose a copy of a letter which we have received from Mr. Michael Morris, M.P. This concerns the possibility of the Royal Dutch Navy buying Rolls Royce engines for their new M class frigates.

B/F | I should be grateful to know whether you would advise that the Prime Minister should raise this question with Mr. Lubbers. Could you in any case let me have a brief on the matter by lunchtime tomorrow?

I am sending a copy of this letter and enclosure to Roger Bone (Foreign and Commonwealth Office).

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence.



John Cole

Robin Butler

Is the PM being adequately  
briefed on this matter?

Rees

13.9.

PRIME MINISTER'S VISIT TO HOLLAND

Michael Morris

My Parliamentary colleague put in the enclosed hand-written note and typescript memorandum about a topic which is likely to crop up in the course of the Prime Minister's talks in the Netherlands next week.

Michael Morris is concerned that the Prime Minister may not have been adequately briefed - even by Rolls Royce Head Office itself - about the RR Marine Division's interest in <sup>a</sup>prospective ~~riva~~ Dutch <sup>engine</sup> order. Could you kindly consider whether fuller briefing is needed in the light of what Michael Morris has written?

MA

MICHAEL ALISON

13.9.83

From: Michael Morris, M.P., Northampton South



HOUSE OF COMMONS  
LONDON SW1A 0AA

12. 9. 81.

Dear Michael.

Thank you so much for

seeing me.

I hope my memorandum is clear enough. The real worry is that if General White gets the order then they will sweep through Rollo Royce's traditional markets.

It seemed to me that the U.K. has all the constituent parts for a successful pitch providing everyone is properly briefed.

Kindest regards

Yours,

P.S. If you need me this week try 0767-80388 which I have

PTO

P.T.C. If you needed a full brief of them  
presumably it would have to come through  
Ralph Hayes Chairman's office.





HOUSE OF COMMONS  
LONDON SW1A 0AA

12th September 1983

The Rt Hon Michael Alison MP  
10 Downing Street  
London SW1

Subject: Rolls Royce Marine Division - Royal Dutch Navy

Background: Traditionally the Royal Dutch Navy has bought Rolls Royce engines to power their naval ships. The value of orders to date total £120 million plus £1 million per annum in revenue for maintenance work.

New frigate order: The Dutch are planning to build twelve M class frigates plus a possible further six for re-export. Rolls Royce have offered their twin Spey engines at a value of £80 million. They are in competition with General Electric. The Spey engine has already been selected by the Royal Navy and the Japanese navy; however, it is not yet in service. In contrast, the General Electric engine is in service.

General Electric are offering 100 per cent offset whereas at the moment Rolls Royce are only offering 40 per cent offset. Admiral Kool, the Dutchman responsible for procurement, is thought to favour the Spey engine if in turn the Dutch could sell to the UK a major weapon system. Negotiations are, I believe taking place for the Royal Navy to purchase Goalkeeper, an anti Exocet system.

My concern: I have learned that the Marine Division of Rolls Royce are very worried whether the P.M. has been adequately briefed about the Royal Dutch Navy engine order; in particular, the competition from General Electric and the need for offset. It is not too fine a point to say that the potential loss of the Dutch order would seriously jeopardise the future of the Marine Division.

It may be that proper briefing has been given to No.10 either from the Chairman's office or through Ministry of Defence sales, in which case this memo can be ignored.

Declaration of interest: A great deal of Rolls Royce work is done in the Midlands, which is my main interest. In addition I do some freelance public affairs consultancy work for Peter Bloomfield Associates, who do have a client in Phillips, the parent company to Goalkeeper.

A handwritten signature in black ink, appearing to read 'Michael Morris'.