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GP
Prime Minister

MINISTER OF STATE FOR DEFENCE PROCUREMENT

A.J.C. 19/1

D/MIN/GP/4/2/3

19th January 1984

Prime Minister

In Michael Heseltine's absence I am writing to inform you and your OD colleagues of an agreement I reached with my Dutch opposite number yesterday whereby we will purchase the Dutch Goalkeeper Close-in Weapon System (CIWS) for the appropriate ships of the Royal Navy in return for the Dutch purchase of Rolls Royce Spey engines for their new M-class frigates.

2. This is the culmination of several months' intensive negotiation in which we have had an uphill task in persuading the Dutch to abandon their firm plans to fit an American engine to these frigates. This would have been a severe blow to Rolls Royce, who have previously supplied the Dutch Navy with gas turbine engines, and a setback to their hopes for further sales of this engine in Europe. On our side, we had to choose between four competing systems for the Royal Navy's CIWS requirements, two of which had a substantial British content, plus one Dutch and one American, with a range of offset options. On technical and performance grounds, Goalkeeper emerged as a front runner with the American system (Vulcan Phalanx), but with a significant cost advantage. Our ability to undertake to procure the system at this point was instrumental in persuading the Dutch to choose the Spey engine.

3. Our discussions with the Dutch were conducted in the wider context of future Anglo-Dutch defence trade,

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and have resulted in a mechanism for achieving a closer collaboration than has been possible in recent years. Both I and my Dutch colleague, who has recently taken over as Chairman of the Independent European Programme Group, were also conscious of the importance of setting an example of co-operation in the European defence field.

4. The value of the initial Spey deal for United Kingdom industry is in the region of £35m. In addition, the agreement provides for further rounds of talks on reciprocal procurement arrangements between our two countries, which will in turn, we hope, open the door for the sale of British Aerospace's Vertical-Launched Sea Wolf missile to the Dutch. A copy of the agreement is attached; it is subject to the ratification of the Dutch Parliament, which is expected in the next few weeks.

5. I am sending copies of this minute to your OD colleagues and Sir Robert Armstrong.

Jeremy Pathe

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LETTER OF INTENT

BETWEEN

THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

AND

THE ROYAL NETHERLANDS GOVERNMENT

COVERING

CO-OPERATION IN THE FIELDS OF RESEARCH, DEVELOPMENT, MANUFACTURE AND
ACQUISITION OF DEFENCE EQUIPMENT

1. The Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Netherlands Government, desiring to improve their defence capabilities through closer co-operation in the fields of research, development, manufacture and acquisition of defence equipment, as well as the maintenance and repair of and the overall logistic support for such equipment; desiring to draw mutually the greatest possible benefit from their technological and industrial capabilities; desiring to promote co-operation between Netherlands and British industries with a view to ensuring their development and viability and the viability of European Defence Industry; and desiring to balance as far as possible the economic advantages to both countries arising from the reciprocal procurement of defence equipment by the two countries, have agreed on the following actions.

2. The two Governments consider the choice of Spey SM1A engines for the Royal Netherlands Navy and the Goalkeeper as the close-in weapon system for the appropriate ships of the British Royal Navy, as set out below in paragraph 3, to be a promising start for the future European defence co-operation.

3. a. The Government of the Netherlands will procure 16 Rolls Royce Spey SM1A Engines for their M-class Frigate and further Spey engines for any subsequent ships of the class for the Royal Netherlands Navy with the appropriate spares, tools and installation equipment subject to satisfactory agreement on price and conditions of contract.

b. The Government of the United Kingdom will procure an initial number of six HSA Goalkeeper close-in weapon systems complete with spares, test equipment, support and the appropriate quantity of De Kruithorn ammunition, subject to satisfactory agreement on

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price and conditions of contract and on the understanding that the Government of the Netherlands will procure the Goalkeeper system for the Royal Netherlands Navy.

c. For those ships for which the Royal Navy has in its forward plans a requirement for CIWS, the UK Government will, again subject to satisfactory agreement on price and conditions of contract, select the Goalkeeper system unless ship fitting constraints make it impossible.

d. The Government of the United Kingdom will refrain from sponsoring the development or introducing a similar or competitive system for those ships referred to in paragraph 3c.

4. The two Governments will enter into Memoranda of Understanding in support of the agreements in this text.

5. The two Governments will begin discussions forthwith on further reciprocal purchases of military equipment and prepare "shopping lists" of likely future equipment requirements. The two Governments will consult together before decisions are made on the procurement of items from these lists with the aim of constructing, over a period of time, technologically and economically balanced packages.

6. Finally, the two Governments will begin discussions on the formal arrangements necessary to ensure that the aims set out in paragraph 1 above are achieved. In particular these arrangements should provide the means for regular consultations between defence officials of both countries and should also make provisions for a regular review of progress at Ministerial level.

7. Signed in duplicate in the English language.

For the Secretary of State for Defence on behalf of the Government of Great Britain and Northern Ireland

..... *John Patten*

Date *16 Aug 1984*

For Minister of Defence on behalf of the Royal Netherlands Government

..... *[Signature]*

Date ..18.1.84.....



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MJ

20 January 1984

The Prime Minister has noted the contents of Mr. Pattie's minute of 19 January recording the agreement reached with the Netherlands Government whereby we will purchase the Dutch Goalkeeper Close-in Weapon System for the appropriate ships of the Royal Navy in return for the Dutch purchase of Rolls Royce Spey engines for their new M-class frigates.

AJC

Stephen Douglas Esq
Ministry of Defence.

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