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MO 26/4E

3rd February 1986

*Dear Charles,*

My letter to you of 22nd January 1986 enclosed some points to make and a background brief for the Prime Minister's meeting with Warren Hawksley MP to discuss the procurement of armoured personnel carriers for Berlin.

Since then, new doubts have arisen over the Federal German Government's attitude to the use of the Occupation Costs Budget for this purpose and I attach revised briefing to take account of this.

As before, I am sending a copy of this letter to Colin Budd (Foreign and Commonwealth Office) and to John Tesh here.

*Yours ever,*

*Jeremy Wright*

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POINTS TO MAKE

1. The British Government is not buying Thyssen. No question of using British funds.

- The FRG would be buying the vehicles as part of Berlin Occupation Costs Budget.

- This is German taxpayers' money and by long-standing practice is used to buy German goods from within Germany economy. British, French and American Berlin Brigades all operate a number of vehicles of German manufacture which have been purchased already from Berlin budget funds such as staff cars.

2. GKN - Sankey and other British companies cannot get orders out of this

- There can be no question of putting pressure on Germans to buy Saxon.

- Options are German funded vehicles or no vehicles at all.

3. Saxons sales prospects should not suffer.

- No reflection on Saxon if German government buys Thyssen.

- Saxon has been ordered already for British Army in large numbers:

option recently exercised brings total number of vehicles on order from GKN to 530.

4. Controversy in nobody's interest.

- Berlin a very sensitive and complex matter;
- Not just a matter of embarrassing the HMG;
- Could also affect our relations with Federal Government who are already facing internal pressure on the Occupation Costs Budget;
- Bad for relations between Berlin garrison and Berliners;
- Will win Sankey no orders;
- May well result in loss of protection for British troops.

ARMOURED PERSONNEL CARRIERS FOR BERLIN - BACKGROUND NOTE

1. The report in the Jane's Defence Weekly article on 14 December concerning the proposed purchase of Armoured Personnel Carriers for Berlin (Annex A) has attracted Parliamentary interest. Mr Warren Hawksley MP, in whose constituency is GKN Sankey's main plant, has tabled two PQs to date and has also had a meeting with Mr Stanley, Minister of State for the Armed Forces. There has been some further media interest, including the Times article on 20 January at Annex B.

2. The Jane's Defence Weekly article contains a number of inaccuracies, including the number of vehicles involved and the reasons why the British built Saxon was ruled out. It is also not true that General Sir Nigel Bagnall wrote a letter recommending the procurement of Saxon; Jane's Defence Weekly printed a retraction of this statement in their 28 December issue.

3. There is an operational requirement to equip British troops in Berlin with armoured troop carrying vehicles which would provide protected mobility. At present, they have only six ageing AFV 432 armoured troop carrying vehicles (manufactured by GKN Sankey) which compares unfavourably with the much larger numbers of such vehicles held by the French and American Brigades. To date, such vehicles have been purchased nationally by the Berlin Allies from within their own Defence Budgets.

4. The British General Officer Commanding estimates that at least forty eight extra Armoured Personnel Carriers are needed to meet his military tasks. Unfortunately, there are no surplus vehicles elsewhere in the British Army which could be deployed to Berlin to meet his requirements. Nor is there any scope for purchasing Armoured Personnel Carriers for Berlin from the Defence Budget, given the current pressure. Such a purchase could only take place at the expense of items in the defence programme which are afforded a higher priority.

5. We have, therefore, looked at other ways in which we might meet the requirement and, in particular, following a visit by the Minister for the Armed Forces to Berlin in June 1984, consideration has been given to the possibility of procuring suitable vehicles through the Berlin Budget. In effect, the Berlin Budget is a subsidy by the Federal German Government to cover the additional costs incurred by the Allies through stationing forces in Berlin. However, purchases from the Budget have to comply with the criteria governing its use. The basic criterion is that funds from the Occupation Costs Budget may be used only for expenses necessary for the occupation of Berlin, but not its defence. Only "non-warlike stores" may be purchased. (Consequently in presenting this case to the Federal Ministry of Finance we have taken care to refer to these vehicles as "hard skinned troop carrying vehicles" rather than as Armoured Personnel Carriers, and have emphasised the need for the

vehicles to ensure the viability and protection of British troops in a period, short of the outbreak of war where internal security in Berlin has broken down). Further, it has always been established practice that Berlin Budget funded purchases should be in Deutschmarks from within the Germany economy. Not surprisingly, the Germans are most reluctant to allow German taxpayers' money to be used to purchase foreign equipment, especially in cases where a suitable and equivalent item of German manufacture is readily available. As a result, the British, French and American Brigades all operate a number of vehicles of German manufacture, such as staff cars, which have been purchased from Berlin Budget funds.

6. Defence Ministers agreed that extra protected mobility is desirable, and that provision for their purchase should be included in the 86/87 Berlin Occupation Costs Budget Estimates to be passed to the German Federal Ministry of Finance. No objection was raised by Federal German officials and accordingly the 86/87 Berlin Budget estimates includes provision for the purchase of the first sixteen vehicles for the General Officer Commanding at a cost of some DM6.4M (approx £31/64M at LTC 86 prices). We understand that tentative provision has been made in the forward budget plans for the purchase of the remaining thirty two vehicles over the years 87/88 and 88/89. (The cost would be in the order of DM12.8M (or some £3.28M). For the reasons outlined above, we would have to accept German manufactured equipment, the Thyssen TM170 being the vehicle that

would meet the requirement. There is no question of obtaining Federal approval to fund the purchase of British vehicles. The proposed purchase is, therefore, sui-generis.

7. We now understand, however, that the Federal authorities are becoming increasingly concerned at the adverse publicity this issue is now attracting in the FRG. The Berlin newspaper "Tages Zeitung" published an article, based on the Jane's Defence Weekly article, questioning whether this was a legitimate use of Occupation Costs Budget Funds. This was also picked up in other German newspapers. Similar questions have been raised in the Berlin House of Representatives (parliament) and, more generally, the Bundestag recently passed a resolution critical of the way in Occupation Costs Budget funds are used. In view of this, the Federal Government have asked us to delay the purchase to allow the Federal Minister of Finance to assess the implications and to decide whether to request the UK to reconsider the proposal. We expect to hear from FMOF in the next few days.

8. In rebutting Mr Hawksley's argument, Ministers are advised to avoid saying anything which could weaken the original justification for the purchase, or which might embarrass the Federal authorities and be an unwelcome irritant in Anglo/German relations. There is a danger that these two separate problems may feed on each other.

9. As already indicated, purchase of the TM 170 in this context would be a consequence solely of the constraints on the use of the Occupation Costs Budget. It would be no reflection on the qualities of Saxon which is already being purchased for the British Army. What is more we have just placed a contract for the second half of our planned buy. This brings the total number of vehicles on order (all from GKN Sankey) to some 530 at a unit cost of £80K and a total cost of some £42M excluding spares. (Note : Whilst we believe that the number of vehicles is public knowledge we have no record that Sankey have ever publicised the total value of the order or the unit cost. This information ought, therefore, to be treated as Commercial-in-Confidence.) These vehicles will equip regular battalions with a role in reinforcing BAOR or in the UKMF. Mr Lamont, Minister of State for Defence Procurement visited GKN Sankey on 17 January and explained the position to them. We understand that they accept the position and, in particular, that there is no prospect of further orders to provide vehicles for the Berlin Brigade.

## GEC swoops Plessey

GEC recorded one victory over rival Plessey last week — even though it wasn't the one envisaged.

With the two companies locked in a take-over fight following GEC's offer to Plessey to consider merger, Marconi Radar announced that it had won a contract to supply a £4 million air traffic control radar to Jordan's joint civil/air force base at Queen Alia airport near Amman, against strong competition, including Plessey.

## Israel's warning over F-5s

THE SAUDI Air Force has stationed F-5 fighters at its Tabuk air base. Lt Gen Moshe Levi, the Israeli CoS, has revealed that the US-made fighters are replacing the old British-made Lightnings.

The Israeli revelation is part of a campaign to warn the USA and Western countries not to supply the Saudis with new aircraft and modern weaponry.

They also point out that the Tabuk air base is only 160 km from Israeli borders, and might be used against the Israeli Air Force and sensitive installations in the Negev Desert.

## Thais offered captured tanks

ISRAEL HAS OFFERED to sell Thailand at least 100 or more captured Soviet-built T-54 T-55 tanks with modernised fire-control systems and fitted with 100 mm Soviet or 105 mm Israeli-made guns.

The offer of the tanks, designated the T-54S and T-55S, was touched on during an unpublicised visit to Thailand in October by Gen Chaim Erez. During the visit the Israeli general met Deputy Defence Minister Paneng Kantarat, as well as army CoS Gen Chaovalit Yongchaiyut, Suopreme Command CoS Gen Banchoh Bunnag and Gen Pong Kulaavanon, First Army Region Commander.

In addition to being fitted with the 105 mm rifled gun, the T-55S has many other modifications, including a new powerpack incorporating an American 3V-71T Detroit Diesel, new transmission, gun control equipment, commander's cupola, Blazer reactive armour and a EL-OP Matador computerised fire-control system.

A number of European companies have

already sent tanks to Thailand for evaluation, including the Vickers Defence Systems Mk 3, Steyr-Daimler-Puch SK-105 and OTO-Melara OF-40.

Thai officers have travelled to China to study the Type 59 refitted with the 105 mm gun and Type 69 models which Beijing is apparently anxious to supply at friendship prices (JOW 26 October).

Thai officers indicated that the first shipment, sufficient to equip a complete battalion, may be provided free of charge. The Chinese are reportedly selling T series tanks fitted with the 105 mm rifled gun for about \$550 000.

General Arthit Kamlang-Ek, Suopreme Commander and Army Chm-C, said on 29 November, that no agreement had yet been reached on the Chinese tanks.

He added, however, that the Thai forces would welcome any military grant aid from friendly countries "with no strings attached," because the Thai armed forces were facing a budget squeeze.

# Britain to buy German APCs for Berlin

By Simon O'Dwyer-Russell

THE BRITISH ARMY'S Berlin Brigade commander is poised to order up to 130 West German-built TM 170 armoured personnel carriers, at an estimated cost of DM70 million, despite a strongly-worded letter from the British Chief of the General Staff Gen Sir Nigel Bagnall, recommending that he procure the British-built Saxon APC.

Saxon is the army's new wheeled APC used by non-mechanised battalions based in the UK. Gen Bagnall's letter spoke of the "eminent operational sense" of the Berlin Sector commander choosing the Saxon APC. Maj Gen Bernard Gordon Lennox should "consider the case carefully" before buying the TM 170, said Gen Bagnall.

In his role as Commander and Military Governor of Berlin's British sector, Gen

Lennox has extraordinary powers including some on procurement matters — and control of the budget.

The TM 170 is to be procured within the Berlin Budget, which is provided for the Western powers in Berlin by the Federal German Government in Bonn.

## Mixed fleet

The UK's Berlin Brigade has for some years run a mixed fleet of support vehicles, buying a number of German-built trucks, staff cars and utility vehicles. However, never before has the brigade purchased German weapons or armoured vehicles. It is equipped with the same weapons as other British Army brigades.

Technical evaluation of the German TM 170 was carried out by the brigade's own workshops, a fact which the UK Ministry of Defence expressed "serious reservations" about because of the workshops' "limited technical capabilities" in this field.

The brigade is at present equipped with FV432 APCs and a wheeled APC is being sought to fill the gap between soft-skinned trucks and the heavy FV432 in the streets of Berlin. GKN Sankey, manufacturer of the Saxon APC, offered offsets in the production of vehicles bound for Berlin, thought to include a willingness to use German steel and components in the vehicle's construction, but without apparent success.

## Saxon 'unsuitable'

The Berlin Brigade's requirement is for a wheeled vehicle for urban warfare or garrison duties. The Saxon was ruled out on the grounds that it was unsuitable for garrison work, despite meeting the British Army's internal security requirements in full.

UK Minister for Defence Procurement, Norman Lamont, is receiving briefings on the decision.

According to his aides, he is "extremely worried" at the political implications of the British Army procuring a German armoured vehicle in favour of a British product.



◀ A West German police version of the TM 170 showing dust-clearing blade and the armoured window shutters lowered

THE TIMES  
**British unit  
 to buy  
 tanks from  
 W Germany**

By Ian Griffiths 2

Britain's Berlin Infantry Brigade is to buy West German-made armoured troop carriers. Speculation grew at the weekend that the decision was made without even considering a rival British alternative manufactured by Vickers.

Mr Edward Leigh, Conservative MP for Gainsborough and Horncastle, is to raise the issue this week with the Secretary of State for Defence in the latest controversy over defence procurement and the Government's attitude to British defence companies.

The controversy centres on the decision by the Berlin Infantry Brigade's to upgrade the armament on its troop carriers. Soft-skinned vehicles of West German manufacture are being replaced by lightly armoured vehicles made by Thyssen, another West German company.

British manufacturers are concerned that the decision has been made without consideration of their alternative. Both GKN, with their Saxon armoured car, and Vickers, with the Valkyr, thought that they ought to have been granted the chance to bid for the business.

The Berlin Infantry Brigade is a legacy of the Second World War. Although the ultimate decision on procurement rests with the British commandant, and not the Ministry of Defence, the force is financed by the West German government.

The British companies believe that unfair pressure has been brought to bear on the brigade to buy West German and that they have not been given a fair chance to demonstrate the suitability of their vehicles.

The new troop carriers will have an element of light armament which distinguishes them from the previous fleet.

