

PRIME MINISTER

Jetstream and the Queen's
Flight

I attach Cabinet Office advice following the latest exchanges on RAF communications aircraft. You said earlier today that you saw no way in which an order could go ahead now. The recent Ministerial exchanges, flagged below, have also covered the issue of how to announce this. Content to go ahead on the basis of points (a), (b) and (c) in Cabinet Office advice below?

On the question of the Queen's Flight, the Cabinet Office suggest that the Ministry of Defence should be asked about the scope for purchasing the remaining 111's next year. In the Defence Paper on the Queen's Flight, there is also a passing reference to a possible leasing arrangement. If you wanted Defence to consider possible future purchase of the 111's, this might be another option. * ~~~~~ *

Do you want to decide firmly that there is no scope for purchasing the 111's, or would you like Defence now to consider purchase next year or a leasing alternative?

Jetstream. Agree moratorium must apply to communications aircraft. Quite apart from

~ Passages deleted the need for economic, I understand the real and closed. 40 years, trouble is that it is MAP
under FOI Exemption. doubtful whether Jetstream will sell enough
to break even let alone make a profit. Had it
Wayland 27 August 2013 been a winner it seems to me that BAe
should have been a lot more enthusiastic about

12 August, 1980 it. That they have been to date. Until that point is properly worked out I should delay a final decision.

Queen's Flight. * ~~~~~ *
possible to keep an option to purchase P10.

next year, or to enter into a leasing arrangement.
I understand these aircraft would also be
very convenient for District flyers and
cheaper than taking a VC 10 out of service.

MS.



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Ref. A02879

MR. PATTISON

MOD Cash Limit 1980-81: Jetstream and The Queen's Flight

In his letter of 11th August to Mr. Whitmore, the Private Secretary to the Secretary of State for Defence raises two separate issues: the purchase of Jetstream and the purchase of two new BAC 1-11s for The Queen's Flight.

Jetstream

2. Mr. Pym proposes deferring a decision on a replacement RAF communications aircraft until next year - i. e. after the moratorium on new defence contracts has ended, if it is not extended from its minimum 3 months. He also proposes to announce now "that we will not place the order for Jetstream". Both the Secretary of State for Scotland and Lord Gowrie have argued (in minutes of 11th and 8th August respectively) for retention of the Jetstream project, with the Secretary of State for Scotland proposing funding from the Contingency Reserve.

3. There are three available options:

- A.
- (i) To confirm that the replacement RAF communications aircraft is covered by the moratorium on contracts, but not to announce - or decide - at this stage that Jetstream will not be ordered. This is probably the easiest course, and the Secretaries of State for Scotland and Employment may accept it, although with some reluctance. They may recall your letter of 17th July to Mr. Pym's office, in which you recorded that the Prime Minister has suggested that MOD was unlikely to be able to afford any replacement aircraft at present. Any announcement should not imply that the Beechcraft rival is a likely runner. The main difficulty about this option is that BAe may say they need to know now whether it is worth spending any more money keeping the project alive.
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(ii) To decide now that there should be no replacement RAF communications aircraft for the foreseeable future from any source. This would have the merit of being definite and conclusive, but would provoke maximum political opposition, and BAe might invoke the Prime Minister's earlier indications to them in favour of Jetstream (as recorded in Mr. Sanders' letter of 1st July to Mr. Pym's office).

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(iii) To decide that the Jetstream should go ahead now, as an exception to the moratorium. In that case Mr. Pym will argue that MOD's share of the costs should be funded from the Contingency Reserve. This in turn will be opposed by the Treasury, on the grounds that the Reserve is now fully committed.

4. On balance, (i) seems the best course. It effectively defers a decision and makes it easier to consider further the possibility of either cancellation or the eventual purchase of Jetstream.

The Queen's Flight

5. Mr. Pym argues that the MOD cannot now meet the cost of the proposed two BAe 1-11 replacement aircraft from their own budget, although this is how they would normally be expected to be financed. But he points out that, if the aircraft are then sold to another buyer, the existing Queen's Flight aircraft would have to remain in service for some 8 years more before the 146s are available (assuming Romanian-built 1-11s are ruled out).

6. The main options here are:-

- (i) To insist that the two BAe 1-11 aircraft should be bought now. If so, Ministers will have to decide whether this means a call on the Contingency Reserve, despite existing commitments.
- (ii) To ask MOD to reserve the aircraft now for ordering next year (e.g. through a letter of intent). This will then need to be taken into account in discussions next year about Defence cash limits.
- (iii) To agree to no early replacement aircraft.

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7. On the whole (ii) seems the most acceptable option. In that case MOD should be asked to explore the possibilities of a reservation in advance of an order next year. But in view of the public expenditure implications implicit in this option, the Prime Minister may want to consider whether the Palace should be consulted again on the need for replacements.

8. You might consider replying along the following lines:

(i) On Jetstream, the MOD should make clear that the RAF communications aircraft order is covered by the general defence contracts moratorium. Mr. Pym should bring the issue back to his colleagues in the context of seeking decisions on the resumption of defence contracts after the end of the moratorium. Any announcement should be agreed not merely with the Treasury and Scottish Office but also with the Departments of Industry and Employment.

(ii) On The Queen's Flight, the MOD should explore the scope for reserving replacement BAe 1-11s for delivery next financial year

*Passage deleted and closed, 40 years, under
FOI Exemption. @Wayland, 27 August 2013*

D.J. Wright

(D.J. Wright)

12th August, 1980

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~9307622~~ 218 2111/3

MO 8/2/12

11th August 1980

Dear Clive,

MOD CASH LIMIT 1980/81: JETSTREAM AND
THE QUEEN'S FLIGHT

In his minute to the Prime Minister of 16th July my Secretary of State explained the difficulties in view of our forecast overspend that we would face in proceeding with the purchase of any aircraft to meet the RAF requirement for a new communications aircraft. Decisions have now been reached on the defence cash limit for this year, as a result of which my Secretary of State has imposed a moratorium on new defence contracts and is also - and as he explained to the Cabinet on 7th August - having to make a wide range of other cuts in activity by the Forces.

In these circumstances, foreshadowed in paragraph 4a of my Secretary of State's minute of 16th July, a decision on any purchase to meet the RAF communication requirement will need to be postponed until next year. This also rules out the possibility which was mentioned of proceeding with the cheaper Beech aircraft coupled with placing an early order for the last two available BAC 1-11s for The Queen's Flight. The note at Annex describes the position regarding new aircraft for The Queen's Flight. My Secretary of State recognises that there would be advantages in purchasing the BAC 1-11s for the improvement they would provide for The Queen's Flight, the trade advantages of seeing members of the Royal Family and Ministers travelling in new British aircraft, and the relief which this

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{ order would give to British Aerospace. There is also the consideration that, if we let the BAC 1-11s go to another buyer, we will have to live with the present situation for about the next 8 years. Mr Pym is clear, however, that there can now be no question of the defence budget meeting the cost of such a purchase.

Following my Secretary of State's announcement (in his written Answer) on 8th August on the imposition of a moratorium, initially for three months, on new defence contracts we are for the present taking the defensive line with the press that in principle new contracts will not be let while it is in operation (the inference will be that this includes Jetstream). My Secretary of State believes, however, that the time has now come to make it clear that we will not place the order for Jetstream, and we would propose to agree with the Treasury, and the Scottish Office the terms of public advice accordingly.

I am sending copies of this letter to Ian Ellison (Department of Industry), the Private Secretaries to the other members of E(EA), George Walden (FCO) and David Wright (Cabinet Office).

*Yours m
Bm*

(B M NORBURY)

ANNEXREPLACEMENT AIRCRAFT FOR THE QUEEN'S FLIGHT

The Andovers of The Queen's Flight are old and slow. Although they are perfectly safe and with careful maintenance could be kept in service for many more years, their use by the Sovereign, other members of the Royal Family and senior Ministers does not project abroad the best image of the capabilities of British industry.

2. It would obviously be preferable for any replacement aircraft to have been both designed and built in the United Kingdom. In order to obtain an aircraft of the right size and performance characteristics this must mean either waiting until the BAe 146 has proved itself in service - perhaps towards the end of the decade, or taking the two new BAe 1-11a that are already available. The RAF assessment is that the BAe 1-11s would serve The Queen's Flight better than the BAe 146 on current forecasts of the latter's performance. Any further BAe 1-11s would be built in Romania, and the two already completed but not yet sold are the last available British built aircraft.

3. The two available BAe 1-11s would cost £16½M (at September 1979 economic conditions). There is no public expenditure provision for such a purchase.

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DOE
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D/N
13 August 1980
Chief Sec
CO
Press Office

10 DOWNING STREET

From the Private Secretary

Dear Brian

Thank you for your letter of 11 August, about the questions of communications aircraft and The Queen's Flight in the light of decisions on the defence cash limit for 1980/81. The Prime Minister has also seen the Secretary of State for Scotland's minute of 8 August and Lord Gowrie's minute of the same date.

The Prime Minister agrees that the moratorium on defence contracts must apply to communications aircraft. Quite apart from this aspect of the question, the Prime Minister understands that there are still doubts as to whether Jetstream can sell enough to break even let alone to make a profit. She feels that, if this aircraft was clearly going to be a commercial success, British Aerospace would have demonstrated much greater enthusiasm than has been the case. She is not yet satisfied that Ministers have had adequate analysis available to them on this point, and she would not therefore wish to announce finally at this stage that there will be no Jetstream order. For the present, therefore, she would wish an announcement simply to cover the fact that no communications aircraft will be ordered whilst the moratorium lasts, and she would not wish any such announcement to imply that the Beechcraft rival to Jetstream is once again being treated as a serious option.

I am sending copies of this letter to John Wilson (Scottish Office), Richard Dykes (Department of Employment), Peter Stredder (Department of Industry) and Nicholas McInnes (Department of Trade), whose Departments will need to be consulted about the wording of the announcement, and to the Private Secretaries to the other members of E(EA) and to David Wright (Cabinet Office).

I shall be writing to you separately about The Queen's Flight.

Yours ever
Mike Pattison

Brian Norbury, Esq.,
Ministry of Defence

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10 DOWNING STREET

From the Private Secretary

13 August 1980

I have written to you separately today about RAF communications aircraft. In your letter of 11 August to Clive Whitmore, you also covered the question of The Queen's Flight.

The Prime Minister recognises that there can be no question of purchasing the two BAC 1-11s from this year's defence budget. She nevertheless recognises the difficulties which would be encountered in re-equipping the Flight in the future once the last two 1-11s have been sold elsewhere.

The Prime Minister noted in the paper enclosed with your second letter of 11 August a brief reference to the possibility of a leasing arrangement to secure the two remaining aircraft (paragraph 24). Before reaching a final decision to reject the option of securing these two remaining aircraft, the Prime Minister would therefore like to see an analysis of the possibilities of purchasing them from next year's defence budget, or of entering into a leasing arrangement with the costs met over the relevant period from the defence budget. We will also need to consider what, if anything, ought to be done by way of preserving an option on these aircraft, pending a final decision.

M. A. PATTISON

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