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Prime Minister

PRIME MINISTER

A.J.C. 2/7.

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DEFENCE SUPPRESSION WEAPON

There is a strategic issue in the HARM/ALARM decision which I should draw to your attention.

2. While Cabinet will be concerned at the additional cash cost of ALARM, it should also consider the skilled manpower implications.
3. The country's manpower resources in the critically important skills in this programme are under strain and even the start of the Alvey programme has shown that some areas of work, eg expert systems, will be manpower-limited rather than cash-limited.
4. Of course a substantial increase in our production of appropriately skilled scientists and engineers is a part of the Alvey programme and of the Government's earlier IT initiative. But this resource will not become available overnight. In the meantime the Government must make sure that its own decisions do not impede the most effective deployment of what we have got.
5. It is a fact that members of the research, design and development team who will be working on ALARM are precisely the sort of people needed for the teams working on micro computers, educational software, consumer electronics and all the new products of Advanced Information Technology. Their deployment on ALARM will not produce any significant spin-off of relevance to these areas.
6. A central objective of the Government is to ensure that obstacles to economic expansion are removed so that resources can flow to the new areas of expansion eg the new technologies and the large civil markets

— But they are not going to leave their research-base with C.E.C. & B.I.T.A.

that lie open for their products. Unfortunately industry will always tend to plead for "keeping the team together" and "maintaining indigenous technology in defence." The markets offered by domestic defence procurement (however small) have always been attractive to industry because they offer a captive customer and a certain profit in contrast to what is available in the tougher and more competitive civil world market place. Although I do not pretend that a decision on a single weapons system is critical, repeated yielding to such pleas from industry is hardly consistent with policies designed to remove Government distortions and protection and to encourage industry to put its efforts and its resources into the activities which offer the greatest opportunities for economic expansion.

7. On a subsidiary matter, I should also make a comment on the so-called 'fixed price' of ALARM. The ALARM programme is in its early stages. BAeD and GEC scientists and engineers will come up with improvements which the customer, having chosen the system partly because of technological leapfrogging, will find irresistible. The specification will change resulting in an increased cost to HMG. This is one of the mechanisms of 'technological inflation' which is so prevalent in defence procurement. Thus the 'fixed price' is, in part, illusory and should not, in my opinion, influence the decision.

I am sending a copy of this minute to Sir Robert Armstrong.

MBN

ROBIN B NICHOLSON
Chief Scientist

Cabinet Office
8 July 1983

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10 DOWNING STREET

From the Private Secretary

Dr. Nicholson

Defence Suppression Weapon

The Prime Minister has noted the contents of your minute of 8 July.

A. J. COLES

13 July, 1983.

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