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10 DOWNING STREET

*From the Private Secretary*

10 December 1982

FALKLANDS WHITE PAPER: STRATEGIC TANKER/FREIGHTERS

The Prime Minister has seen Mr. Nott's minute of 9 December concerning the choice of aircraft involved in the purchase of strategic tanker/freighters for the RAF.

Subject to the views of OD colleagues, the Prime Minister favours Tristar on the assumption that your analysis of the rival bids confirms that this option is the more attractive, and that the current trials of Tristar are successful.

I am sending copies of this letter to the Private Secretaries of the Members of OD, the Secretary of State for Industry, and Sir Robert Armstrong.

A. J. COLES

Richard Mottram, Esq.,  
Ministry of Defence

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Agree to Tristar subject to:-  
(a) views of OD colleagues  
(b) fuller analysis of rival bids  
(c) current trial of Tristar  
being successful?

MO 26/5

PRIME MINISTER

Yes no

A. & C.  $\frac{9}{12}$

FALKLANDS WHITE PAPER: STRATEGIC TANKER/FREIGHTERS

You will wish to be aware of the basic factors underlying our choice of aircraft to meet the vital purchase of strategic tanker/freighters for the RAF.

2. Given the clear need for large tankers, it makes obvious sense to make them capable of carrying men and equipment as well. We have considered five aircraft types as candidates for conversion. Three of them - the Boeing 707, Airbus 300B and Boeing 747 - were rapidly rejected on a variety of cost, timescale and capability grounds. This leaves two possibilities - the freighter version of the McDonnell Douglas DC10, and the Lockheed Tristar. To be viable a minimum of four aircraft are required. Both types could be bought quickly on the secondhand market and in either case the first tanker could be ready in 18-19 months, all four tankers being completed within 24 months in the case of the DC10, and 28 months in the case of the Tristar.

3. However, the DC10 already has a freight capability, whilst the Tristar would require a return-to-works programme which would not be completed for a further 17 months - meaning that the purchase of DC10s would almost halve the time to provide us with a full tanker/freighter capability.

4. British Airways have six Tristars which they wish to sell as a package; and buying all six would ease the freighter conversion programme, although it would not lessen the total time required for the full four aircraft freighter conversions to be completed. In the case of the DC10 only four aircraft would be needed, and





McDonnell Douglas would both buy and be prime contractor for the conversion of the aircraft, although sub-contract work would go to British Aerospace (BAe) and British Caledonian (B Cal). MOD would buy the BA Tristars direct and conversion would be carried out by Marshalls of Cambridge. Flight Refuelling Limited could be involved in either case.

5. The main arguments in favour of the DC10 are, first, that it has a greater freight capacity and the fleet of four tankers can be available in two years together with freighting capacity, or little more than half the time required to produce the tanker/freighter version of the Tristar. Second the existence of the KC10 tanker variant of the DC10, now in service with the United States Air Force provides greater confidence in the McDonnell Douglas conversion programme (no design work has yet been completed on Tristar tanker or freighter conversion); it also gives us a greater guarantee of continuing logistic and training support over the expected lifetime of the RAF aircraft independently of the future plans of civil operators on which Tristar support would rest.

6. But there are strong arguments in favour of the Tristar. Although smaller and less capacious than the DC10, the Tristar consumes less fuel and therefore has greater refuelling capability than the DC10 in any extended sortie scenario. First analysis of the rival quotations, just received and on which we are still working, suggests that the Tristar option of six aircraft is cheaper, at £131M against £153M for the four DC10 (both maximum prices covering purchase and conversion only though the DC10 offer appears to provide better protection against cost overruns). For this money the Tristar option gives two additional aircraft, with the extra operational flexibility which that would confer when all six were in service. Operating costs would be greater for six Tristar than for four DC10s, though Tristar is the cheaper per aircraft.





7. There are also the industrial and commercial arguments, about which Patrick Jenkin and Arthur Cockfield have written to me / (copies attached). These are not all one way. McDonnell Douglas have indicated a willingness to sub-contract work within the UK and have entered into discussions with BAe and B Cal accordingly, though the implications of this for cost and timescale have still to be resolved. On the other hand we have the certainty that conversion of the Tristar would be carried out almost entirely in the UK, mainly by Marshalls of Cambridge. Selection of the Tristar would avoid an RAF purchase of an American engine, which Rolls Royce see as commercially damaging. Much more important, by buying Tristar we would bring about a very substantial improvement in British Airways' finances and thus reduce the need for Government financial support.

8. To sum up, although operationally the balance of argument favours the DC10, principally because the freighter capability would be available earlier and with greater certainty in timescale, either aircraft will meet the operational requirement and the Tristar option gives more aircraft in the longer term. In cost terms the Tristar option is significantly cheaper, which provides a cushion against the greater technical and cost uncertainties which it involves. In industrial and commercial terms Tristar is clearly preferable.

9. It seemed clear from Tuesday's discussion in OD that the Committee was disposed to favour the Tristar option. I come down in favour of the Tristar when all the operational financial and industrial arguments are put together. Our final decision however must await completion of analysis of the rival bids and, very important indeed, the remaining trials at Boscombe Down (recent Boscombe Down trials have thrown some doubt on the ability of the Tristar to refuel a Hercules to maximum all-up weight. Further urgent trials are being undertaken to establish this capability for both options; these are planned to be completed next Sunday). Provided these final factors do not change the picture significantly,



and subject to colleagues' views, I should like to be in a position to announce a decision in favour of Tristar in my statement on 14th December on publication of the White Paper.

10. I am copying this minute to OD colleagues, Patrick Jenkin and Sir Robert Armstrong.

MHL [initials] (private secretary)

[ approved by Mr Mott and signed : in absence ]

Ministry of Defence

9th December 1982





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*From the Secretary of State*

The Rt Hon John Nott MP  
Secretary of State for Defence  
Main Building  
Whitehall SW1

24/5

2 December 1982

## STRATEGIC TANKERS FOR THE ROYAL AIRFORCE

I understand that the Royal Air Force are actively considering the purchase of several wide-bodied civil aircraft for conversion to aerial tanker and freighter roles. The principle contenders are the DC10 and Tristar-500 aircraft. British Airways could make up to 6 Tristars available. I am writing to urge you to take up the British Airways' offer, in preference to the DC10.

Patrick Jenkin and his officials have indicated the industrial advantages of the Tristar purchase, not only in terms of business for Rolls Royce, but also in work for Marshalls of Cambridge. I fully support what they have said. I have in addition a special interest relating to British Airways.

Since you appointed him as BA Chairman, John King has done a great deal to reduce the airline's overmanning and its excess capacity. The latter includes aircraft bought or ordered against unrealised expectations of traffic growth. The recession which has prevented the profitable use of aircraft, including the Tristar fleet, has inevitably increased the difficulties. The result is a continuing financial burden on BA, and thus - whether we like it or not - the Government. It might seem strange to the outside observer that when the Government through its ownership of BA effectively has a fleet of redundant Tristars on its hands it should propose to buy further similar aircraft from other sources.

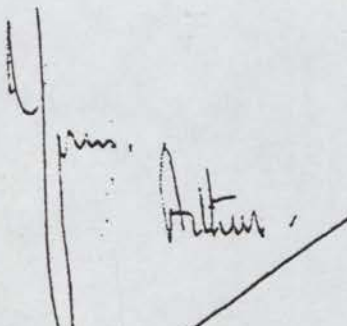


*From the Secretary of State*

I believe that BA's offer is a realistic one, and includes a great deal of support and additional items. The attractiveness of the package must have been further enhanced by the recent movement in the exchange rate.

I hope therefore that you will conclude that the wider benefits to the Government's general objectives, and the work which will accrue to our aircraft industry, justify a decision in favour of the Tristar.

Copies of this letter go to the Prime Minister, Patrick Jenkin, Geoffrey Howe and to Sir Robert Armstrong.

  
LORD COCKFIELD



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TOTAL COPIES 11

JH 400

COPY No. 1



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Secretary of State for Industry

2 December 1982

The Rt Hon John Nott MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
London SW1

Dear John,

I have seen a copy of Frank McFadzean's letter to you of 24 November expressing concern about the choice of tanker/freighter aircraft which I understand your Department may be on the point of making.

2 On the basis of information with which my officials have been provided it appears that your officials are likely to recommend the purchase of four DC10 aircraft to meet the recently established Air Staff Requirement. The ultimate choice is for you, but unless there are overriding operational reasons to support the DC10 option, I feel bound to point out that on the evidence to date there would be a clear UK industrial advantage in your purchasing the six BA L1011 Tristars which are I understand available.

3 The industrial element in favour of the DC10 option is the possibility of some sub-contract work for British Aerospace. However, this would be entirely at the discretion of the aircraft manufacturer (McDonnell Douglas) and the extent of BAE's possible involvement has yet, we believe, to be defined. On the other hand, the conversion of the L1011 Tristar would take place almost entirely in the UK involving Marshalls of Cambridge and, to a lesser extent, Plessey, Shorts and Smiths. As a result, and using MOD's own figures, barely 12 per cent of the programme cost of converting the Tristars would involve overseas expenditure, as against nearly 60 per cent in the case of the DC10s.

4 Another important consideration in favour of purchasing the Tristar is that this would prevent GE obtaining a foothold for their CF6 engine in the RAF. Rolls fear that GE would use such a foothold to their commercial advantage and Rolls' disadvantage around the world, especially when it became known publicly and that the MOD requirement could have been met by Rolls engined Tristars from British Airways. By contrast, a Tristar buy would have the advantage of reducing the number of Tristars currently



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up for sale and generate spares business for Rolls-Royce, as well as a number of other UK suppliers.

5 Both Lockheed and Rolls-Royce are on record as committed to providing full product support over Tristar's lifetime. There are around 250 such aircraft in service worldwide and I have no doubt that Lockheed's back-up (after production itself stops) will be just as effective as that of McDonnell Douglas, whose DC10 line has attracted few civil orders since the Chicago crash several years ago.

6 The Tristar has, by all accounts, an excellent operational record and, having done a good deal of preparation work, Lockheed (as a major supplier of military transports) should be able to team up with Marshalls to ensure that adaptation of the civil Tristars goes smoothly.

7 I would have thought that there should also be some real benefit to British Airways - although it is for Arthur Cockfield to comment on this. Buying their Tristars should help the airline reduce its excess capacity, improve its financial results, and assist the Government's overall objective of privatising BA as soon as practicable.

8 May I ask you to give this matter your closest personal attention. There seem to be sound reasons for preferring a Tristar purchase from a British airline. I fear that a choice of DC10s for the Royal Airforce would simply not be understood by our customers overseas.

9 I am copying this letter to Geoffrey Howe and to Arthur Cockfield.

Your ever  
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8 DEC 1982

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