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FILE TITLE: Military Communications		SERIES DEFENCE
Satellite		
		PART: 1
PART BEGINS: October 1981	PART ENDS: September 1988	CAB ONE: 

Series closed

PREM 19/2067

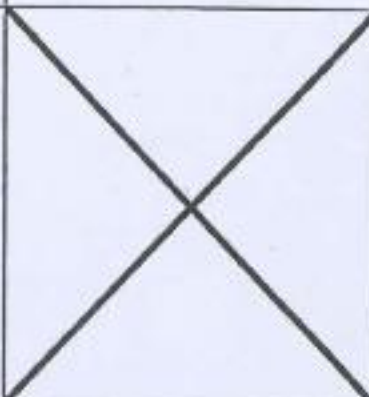
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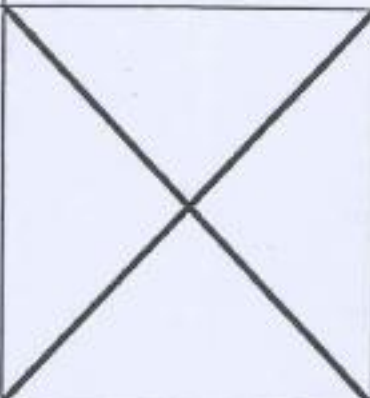
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DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>2067</i> (one piece/item number)	Date and sign
Extract details: <i>Craddock to Powell dated 5 September 1988</i>	
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MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-808 79002 218 2111/3

MO 11/8/2L

21st May 1986

ms

Prime Minister
CDP 21/5-

Dear Charles,

LAUNCH ARRANGEMENTS FOR SKYNET 4A AND 4B SATELLITES

In his minute of 24 March 1986 to the Prime Minister about the choice of launch vehicle for the Skynet 4C satellite, my Secretary of State mentioned that, because of the impact that delays in the Shuttle programme will have on our ability to meet operational requirements, we were reviewing the launch arrangements for the first two satellites (Skynet 4A and 4B) which we had planned to launch by the Shuttle in June 1986 and January 1987 respectively.

The Prime Minister may wish to know that it has now been decided that Skynet 4B should be transferred to an Ariane launch which is planned for late 1987. With the aim of minimising the changes to the satellite production schedule, we are continuing to plan on launching Skynet 4A by the Shuttle: we are currently assuming that this will be possible early in 1988.

The decision to change the launch arrangements for Skynet 4B was taken primarily on operational grounds in order to secure the earliest possible date for the start of satellite communications services from Skynet 4. The United States authorities have been informed of the decision, but it is planned to delay a public announcement until next week in order to allow time for the formal contract with Arianespace to be signed.

I am sending copies of this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Chief Secretary to the Treasury; and to Sir Robert Armstrong.

yours ever,
 Jeremy Wright
 (J S WRIGHT)

Charles Powell Esq
 No 10 Downing Street

DEFENCE Street Oct 81.

RECEIVED BY THE
DEFENCE SECRETARIAT
100, WHITEHALL, LONDON
SW1A 2JF



ccpc



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

6 May 1986

The Rt Hon George Younger MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1

✓ SDP - 15 note X
MCA 6/5

Tom George

CHOICE OF LAUNCH VEHICLE FOR SKYNET 4C SATELLITE

I have seen your letter of 24 March to the Prime Minister on your plan to use Ariane to launch the Skynet-4C satellite and welcome the news. The French in particular have long seen it as damaging to Ariane's reputation that we choose Shuttle launches for the first satellites in this series.

We have also been glad to help with the package in relation to European Space Agency programme costs, which is enabling the French to reduce the launch price for Skynet. I have to say however that it is not feasible for us to go beyond the £2m payment from my Department's funds which we offered in January, and the DTI cannot meet the £3.5m you suggest in your letter. I know our officials have already discussed this.

I am copying this letter to the Prime Minister, the Foreign Secretary, Chancellor of the Exchequer, Chief Secretary and to Sir Robert Armstrong.

*Y
ms
at*

PAUL CHANNON

DW2ASP

Reference: Military
Satellites
Oct. 81.





10 DOWNING STREET

From the Private Secretary

27 March 1986

Ser Denis,

CHOICE OF LAUNCH VEHICLE FOR THE SKYNET 4C SATELLITE

The Prime Minister has noted the Defence Secretary's minute of 24 March about the decision to use Ariane for the launch of Skynet 4C and the possibility that the launch of either Skynet 4A or Skynet 4B will also have to be switched to Ariane.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chief Secretary to the Treasury and Sir Robert Armstrong.

you in arch

Charles Powell

Denis Brennan Esq
Ministry of Defence.



MO 11/8/2L

PRIME MINISTER

ms

②

Prime Minister

Because of the Challenger disaster the Americans will not bid for the launch of Skynet 4c, so there is no option but to use Ariane. We may also have to switch one of the earlier Skynets to Ariane to avoid delay.

CHOICE OF LAUNCH VEHICLE FOR THE SKYNET 4C SATELLITE

CDP
25/3

You will recall the discussion in 1983 about the launch vehicle for our first two Skynet 4 satellites, which it was eventually decided should be launched via the US Shuttle in preference to the Ariane rocket. That decision was taken on technical, operational and financial grounds.

2. My Department has recently been considering the choice of launch vehicle for the third satellite in the Skynet 4 series - Skynet 4C, and I am writing to advise you of the outcome.

3. Last summer NASA and Arianespace were invited to compete for the launch of Skynet 4C in late 1988. When the offers were evaluated they showed that an Ariane launch would be more expensive than the Shuttle. Following representations from French Ministers and Arianespace, I decided that both NASA and Arianespace should be given the opportunity to make "best and final" offers for the launch. Regrettably, just as these offers were being sought the tragic accident to the Shuttle Challenger



occurred, and NASA have subsequently declined to re-bid for the launch of Skynet 4C because of the uncertainty surrounding their future programme schedules. Work on preparing the satellite for the selected launcher must commence immediately. In these circumstances I have decided to accept the Arianespace offer for the launch of Skynet 4C. The net cost of Ariane launch to MOD votes assumes that the Department of Trade and Industry will be increasing its contribution to ESA by £3.5M to rectify the current imbalance that exists between National contributions and the value of ESA work placed in the United Kingdom.

4. Despite the unfortunate circumstances in which the decision ultimately had to be taken I am sure that it is one that will be welcomed by the French, and that it will be seen as a significant demonstration of the United Kingdom's commitment to European space activity.

5. Because of the high level of interest that this decision is likely to arouse, I intend to release a short press announcement in parallel with the French being advised of our selection of Ariane. A copy of the planned announcement is attached for your information.

6. In addition to the situation on the launch of Skynet 4C, you will wish to be aware that we are reviewing the launch arrangements for the first two satellites (Skynet 4A and 4B),



which were due to be launched via the Shuttle in June 1986 and January 1987 respectively, because of the impact that delays in the Shuttle programme will have on our ability to meet operational requirements. This could result in at least one of these satellites being switched to an Ariane launch.

7. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chief Secretary to the Treasury and to Sir Robert Armstrong.

C.Y.

Ministry of Defence

24th March 1986

DRAFT

RESTRICTED

(until released for publication)

CHOICE OF LAUNCH VEHICLE FOR SKYNET 4C - PRESS ANNOUNCEMENT

1. The Secretary of State for Defence has decided that the third UK Skynet 4 military communications satellite - Skynet 4C - will be launched by Arianespace using a Ariane 4 launch vehicle. The satellite, which is currently under construction by British Aerospace and their principal sub-contractors Marconi Space Systems, will be launched during 1989.

2. We are pleased to be able to demonstrate by this decision the UKs practical support for the European Space Industry which has shown by its fine achievements that it is comparable with any in the world. The decision does not, of course, indicate any lack of confidence in the US Shuttle programme. Despite the understandable delays and difficulties with which NASA is faced following the tragic accident involving the Shuttle "Challenger", the Shuttle will continue to be fully considered in the selection of launch vehicles for other UK military satellites.

DRAFT

RESTRICTED

(until released for publication)



DEFENCE MILITARY COMMUNICATIONS

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10 DOWNING STREET

THE PRIME MINISTER

22 December 1983

cc FCO 871
See T2224/83
of 19 Dec

Dear Prime Minister,

We exchanged messages last month about the choice of launch vehicle for our Skynet 4 satellite system. I was very glad to respond to your suggestion for a team from the CNES to visit London for a final discussion of the launch options. I am grateful for the prompt visit by the CNES team at such short notice, and for the generous proposals they advanced at that meeting.

I am writing to tell you, before an official announcement is made, that after the most careful consideration we have now decided that satellites in the first stage of the Skynet 4 programme should be launched by Shuttle. This has not been an easy decision. It is based on operational and technical factors, as well as cost. Michael Heseltine is writing to M. Hernu to set out our reasons fully and frankly, but in view of our shared concern for the Ariane programme and the interest you have taken in the decision, I should like to make sure you are aware of them too.

The use of Ariane would cause us considerable operational and technical problems, in addition to the extra expense it would involve. On the technical side, we would need to review the interface between satellite and launcher, revalidate the structural design and prepare a new mission analysis. This,

/together

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together with associated contractual negotiations and the establishment of a new communications link between Kourou and the US, would delay the first launch by nine to twelve months.

For operational reasons, this delay would be extremely difficult. We need Skynet in order to provide essential operational communications for our forces in Europe and the Atlantic. If the planned launch date of November 1985 for the first satellite could not be met, we would need to procure additional satellite capacity, at great expense. You will, I am sure, understand the strong operational requirement that our forces should have the vital communications they need, when they need them, and the dangers that any gap would entail.

As to cost, I am very grateful, as I have said, for the efforts you have made to help bridge the difference between Ariane and Shuttle. The gap nevertheless remains very large and there is also the cost of additional and extremely expensive capacity needed as a result of any delay which the selection of Ariane might involve. At a time when we are looking very hard at ways to cut public expenditure, we would find it extremely difficult to accept such costs.

I must emphasise that our planned use of Shuttle on this occasion does not represent a weakening of our support for Ariane or the European Space industry in general. The British Government remains firmly convinced of the need for the countries of Europe to collaborate wherever possible on advanced industrial projects of this kind. The fact that we cannot always succeed, as evidenced not only by our choice on this occasion but by your own Government's recent decision to use a US engine for your experimental combat aircraft, means that we must all keep trying.

Michael Heseltine is explaining in his letter ways in which we hope to put Ariane in a better position to be chosen as the launcher for the second stage of our Skynet programme. The satellites will be designed from the outset to be compatible with both Ariane and Shuttle, and Ariane will be selected

/in

in the competition provided that there are no unreasonable disadvantages relating to cost, reliability or mission compatibility. We are ready to establish a joint technical policy group of officials to work to meet this objective.

For our part, we believe it important that our decision on this occasion should be presented in a way which causes the least possible damage to the Ariane programme. We shall work to present it accordingly.

Y
ours sincerely
Raymond Stalder

His Excellency Monsieur Pierre Mauroy



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-934XXXX 218 2111/3

MO 11/8/2

20th December 1983

A.S.C. ²⁰/₁₂

p.a.

Dear Peter,

SKYNET/ARIANE

Nick Evans was in touch with you yesterday about the message to Monsieur Hernu about the decision to opt for Shuttle to launch the Skynet satellite. The Defence Secretary agreed to send to Monsieur Hernu the formal letter which had been prepared but he has also written a manuscript, more personal, letter himself. I enclose this letter and I should be grateful if it could go as soon as possible to Paris: Mr Heseltine did wonder whether Sir John Fretwell might himself deliver it to add weight to the message it contains.

I am also enclosing for your records a typed version of the letter as in the signal which, with your agreement, we sent last night to Paris.

I should also record that I consulted the Defence Secretary about the question raised by the Prime Minister on whether a message should also go to Mr Weinberger. Mr Heseltine felt on balance that he would prefer the decision to speak for itself in the United States and he did not wish to send any message to Mr Weinberger.

I am copying this letter and the enclosures to John Coles, No 10.

Yours ever,

Richard Mottram

(R C MOTTRAM)



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALING 01-218

Dec 19th 1983

My dear Minister

I wanted to write to you personally about the Ariane decision.

I do not need to tell you of the time that I have spent personally on this matter.

There are clear arguments deeply founded in the situation I inherited when I took on this job that pointed in favour of Shuttle.

The arguments in favour of Ariane rested on the political case for a European solution and, particularly for me, because I played such a central part

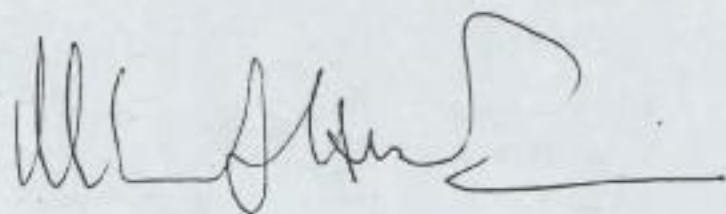
in bringing Britain back into the French
launcher project and the establishment of the
European Space Agency in the early 1970s.

I am also very aware of all that I have
said to you about the opportunities before us
in the field of cooperation.

In the end I could not see a proper
decision other than that which we have taken.
I came on the scene too late.

It will always remain one of the hardest
decisions I have had to take and I want
to assure you that in recognising your
disappointment I do not intend to find myself
in such a situation again in matters where
I have had a proper time to influence events.

Yours very sincerely





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 11/8/2

19th December 1983

Mon Cher Ministre

I wanted to write to you personally about the Ariane decision.

I do not need to tell you of the time that I have spent personally on this matter.

There are clear arguments deeply founded in the situation I inherited when I took on this job that pointed in favour of Shuttle.

The arguments in favour of Ariane rested on the political case for a European solution and, particularly for me because I played such a central part in bringing Britain back into the French launcher project and the establishment of the European Space Agency in the early 1970s.

I am also very aware of all that I have said to you about the opportunities before us in the field of co-operation.

In the end I could not see a proper decision other than that which we have taken. I came on the scene too late.

Monsieur Charles Hernu



It will always remain one of the hardest decisions I have had to take and I want to assure you that in recognising your disappointment I do not intend to find myself in such a situation again in matters where I have had a proper time to influence events.

Yours very sincerely

Michael Heseltine

Reference:
Oct 81
Skynet.

20 DEC 1983



cc MASTER
OPS

TOP COPY

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7879 - 2

DD 191530Z PARIS

GRS 667

CONFIDENTIAL

DESKBY 191530Z

PM P C O 191430Z DEC 83

TO IMMEDIATE PARIS

TELEGRAM NUMBER 676 OF 19 DECEMBER

INFO PRIORITY WASHINGTON

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T222A/83

MIPT: LAUNCHER FOR SKYNET 4

1. FOLLOWING IS TEXT OF MESSAGE FROM THE PRIME MINISTER
TO M MAUROY.

BEGINS

DEAR PRIME MINISTER

WE EXCHANGED MESSAGES LAST MONTH ABOUT THE CHOICE OF LAUNCH
VEHICLE FOR OUR SKYNET 4 SATELLITE SYSTEM. I WAS VERY GLAD TO
RESPOND TO YOUR SUGGESTION FOR A TEAM FROM THE CNES TO VISIT
LONDON FOR A FINAL DISCUSSION OF THE LAUNCH OPTIONS. I AM
GRATEFUL FOR THE PROMPT VISIT BY THE CNES TEAM AT SUCH SHORT
NOTICE AND FOR THE GENEROUS PROPOSALS THEY ADVANCED AT THAT
MEETING.

I AM WRITING TO TELL YOU, BEFORE AN OFFICIAL ANNOUNCEMENT IS
MADE, THAT AFTER THE MOST CAREFUL CONSIDERATION WE HAVE NOW
DECIDED THAT SATELLITES IN THE FIRST STAGE OF THE SKYNET 4
PROGRAMME SHOULD BE LAUNCHED BY SHUTTLE. THIS HAS NOT BEEN AN
EASY DECISION. IT IS BASED ON OPERATIONAL AND TECHNICAL FACTORS, AS
WELL AS COST. MICHAEL HESELTINE IS WRITING TO
M HERNU TO SET OUT OUR REASONS FULLY AND FRANKLY, BUT IN VIEW
OF OUR SHARED CONCERN FOR THE ARIANE PROGRAMME AND THE INTEREST
YOU HAVE TAKEN IN THE DECISION, I SHOULD LIKE TO MAKE SURE YOU
ARE AWARE OF THEM TOO.

THE USE OF ARIANE WOULD CAUSE US CONSIDERABLE OPERATIONAL AND
TECHNICAL PROBLEMS, IN ADDITION TO THE EXTRA EXPENSE IT WOULD

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7879 - 2

INVOLVE. ON THE TECHNICAL SIDE, WE WOULD NEED TO REVIEW THE INTERFACE BETWEEN SATELLITE AND LAUNCHER, REVALIDATE THE STRUCTURAL DESIGN AND PREPARE A NEW MISSION ANALYSIS. THIS, TOGETHER WITH ASSOCIATED CONTRACTUAL NEGOTIATIONS AND THE ESTABLISHMENT OF A NEW COMMUNICATIONS LINK BETWEEN KOUROU AND THE US, WOULD DELAY THE FIRST LAUNCH BY NINE TO TWELVE MONTHS.

FOR OPERATIONAL REASONS, THIS DELAY WOULD BE EXTREMELY DIFFICULT. WE NEED SKYNET IN ORDER TO PROVIDE ESSENTIAL OPERATIONAL COMMUNICATIONS FOR OUR FORCES IN EUROPE AND THE ATLANTIC. IF THE PLANNED LAUNCH DATE OF NOVEMBER 1985 FOR THE FIRST SATELLITE COULD NOT BE MET, WE WOULD NEED TO PROCURE ADDITIONAL SATELLITE CAPACITY, AT GREAT EXPENSE. YOU WILL, I AM SURE, UNDERSTAND THE STRONG OPERATIONAL REQUIREMENT THAT OUR FORCES SHOULD HAVE THE VITAL COMMUNICATIONS THEY NEED, WHEN THEY NEED THEM, AND THE DANGERS THAT ANY GAP WOULD ENTAIL.

AS TO COST, I AM VERY GRATEFUL, AS I HAVE SAID, FOR THE EFFORTS YOU HAVE MADE TO HELP BRIDGE THE DIFFERENCE BETWEEN ARIANE AND SHUTTLE. THE GAP NEVERTHELESS REMAINS VERY LARGE AND THERE IS ALSO THE COST OF ADDITIONAL AND EXTREMELY EXPENSIVE CAPACITY NEEDED AS A RESULT OF ANY DELAY WHICH THE SELECTION OF ARIANE MIGHT INVOLVE. AT A TIME WHEN WE ARE LOOKING VERY HARD AT WAYS TO CUT PUBLIC EXPENDITURE, WE WOULD FIND IT EXTREMELY DIFFICULT TO ACCEPT SUCH COSTS.

I MUST EMPHASISE THAT OUR PLANNED USE OF SHUTTLE ON THIS OCCASION DOES NOT REPRESENT A WEAKENING OF OUR SUPPORT FOR ARIANE OR THE EUROPEAN SPACE INDUSTRY IN GENERAL. THE BRITISH GOVERNMENT REMAINS FIRMLY CONVINCED OF THE NEED FOR THE COUNTRIES OF EUROPE TO COLLABORATE WHEREVER POSSIBLE ON ADVANCED INDUSTRIAL PROJECTS OF THIS KIND. THE FACT THAT WE CANNOT ALWAYS SUCCEED, AS EVIDENCED NOT ONLY BY OUR CHOICE ON THIS OCCASION BUT BY YOUR OWN GOVERNMENT'S RECENT DECISION TO USE A US ENGINE FOR YOUR EXPERIMENTAL COMBAT AIRCRAFT, MEANS THAT WE MUST ALL KEEP TRYING.

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7879 - 2

MICHAEL HESELTINE IS EXPLAINING IN HIS LETTER WAYS IN WHICH WE HOPE TO PUT ARIANE IN A BETTER POSITION TO BE CHOSEN AS THE LAUNCHER FOR THE SECOND STAGE OF OUR SKYNET PROGRAMME. THE SATELLITES WILL BE DESIGNED FROM THE OUTSET TO BE COMPATIBLE WITH BOTH ARIANE AND SHUTTLE, AND ARIANE WILL BE SELECTED IN THE COMPETITION PROVIDED THAT THERE ARE NO UNREASONABLE DISADVANTAGES RELATING TO COST, RELIABILITY OR MISSION COMPATIBILITY. WE ARE READY TO ESTABLISH A JOINT TECHNICAL POLICY GROUP OF OFFICIALS TO WORK TO MEET THIS OBJECTIVE.

FOR OUR PART, WE BELIEVE IT IMPORTANT THAT OUR DECISION ON THIS OCCASION SHOULD BE PRESENTED IN A WAY WHICH CAUSES THE LEAST POSSIBLE DAMAGE TO THE ARIANE PROGRAMME. WE SHALL WORK TO PRESENT IT ACCORDINGLY.

BEST WISHES

YOURS SINCERLY

MARGARET THATCHER

END OF MESSAGE.

HOWE

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MR W D REEVES, AUS AIR (PE) MOD

MR P J COOPER, SPACE BRANCH, DTI

3

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CC OD COMMITTEE

CONFIDENTIAL



CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

19 December 1983

N.S.P.N.

A.S.C. 29
/11.

Dear Richard,

LAUNCHER FOR SKYNET SATELLITES

The Chancellor of the Duchy of Lancaster has seen the correspondence on this, including John Coles's letter of 16 December.

Lord Cockfield's view is strongly in favour of Shuttle. He has commented that he does not think that there is any future in yielding to blackmail by the French.

Yours sincerely,

Alex Galloway

A K GALLOWAY
Private Secretary

Richard Mottram Esq
Private Secretary to the
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1A 2HB

Defence
Oct 81
Spynet

11 12 1
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19 DEC 1981

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10 DOWNING STREET

From the Private Secretary

19 December, 1983.

Dear Peter,

Choice of Launch Vehicle for Skynet

Thank you for your letter of 16 December.

As I told you on the telephone earlier this morning, the Prime Minister has approved the proposed message from herself to the French Prime Minister, subject to some minor stylistic amendments. The final version of the message is enclosed with this letter. I should be grateful if you would arrange for its delivery.

I am sending copies of this letter and its enclosure to the Private Secretaries of other members of OD and to Sir Robert Armstrong.

*Yours ever
John G. G.*

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

Prime Minister.

Your message to M. Pawley about
 Shymet has been replied.
 Would you kindly now sign the
 formal version attached?

I have asked the Defence
 Secretary to consider sending a
 message to Mr. Weinberger.

A.S.C. $\frac{19}{12}$

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7879 - 2

DD 191530Z PARIS

GRS 667

CONFIDENTIAL

DESKBY 191530Z

FM F C O 191430Z DEC 83

TO IMMEDIATE PARIS

TELEGRAM NUMBER 676 OF 19 DECEMBER

INFO PRIORITY WASHINGTON

*A.S.C. 207/12.
h.a.*

MIPT: LAUNCHER FOR SKYNET 4

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TO M MAUROY.

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DEAR PRIME MINISTER

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FOR OPERATIONAL REASONS, THIS DELAY WOULD BE EXTREMELY DIFFICULT. WE NEED SKYNET IN ORDER TO PROVIDE ESSENTIAL OPERATIONAL COMMUNICATIONS FOR OUR FORCES IN EUROPE AND THE ATLANTIC. IF THE PLANNED LAUNCH DATE OF NOVEMBER 1985 FOR THE FIRST SATELLITE COULD NOT BE MET, WE WOULD NEED TO PROCURE ADDITIONAL SATELLITE CAPACITY, AT GREAT EXPENSE. YOU WILL, I AM SURE, UNDERSTAND THE STRONG OPERATIONAL REQUIREMENT THAT OUR FORCES SHOULD HAVE THE VITAL COMMUNICATIONS THEY NEED, WHEN THEY NEED THEM, AND THE DANGERS THAT ANY GAP WOULD ENTAIL.

AS TO COST, I AM VERY GRATEFUL, AS I HAVE SAID, FOR THE EFFORTS YOU HAVE MADE TO HELP BRIDGE THE DIFFERENCE BETWEEN ARIANE AND SHUTTLE. THE GAP NEVERTHELESS REMAINS VERY LARGE AND THERE IS ALSO THE COST OF ADDITIONAL AND EXTREMELY EXPENSIVE CAPACITY NEEDED AS A RESULT OF ANY DELAY WHICH THE SELECTION OF ARIANE MIGHT INVOLVE. AT A TIME WHEN WE ARE LOOKING VERY HARD AT WAYS TO CUT PUBLIC EXPENDITURE, WE WOULD FIND IT EXTREMELY DIFFICULT TO ACCEPT SUCH COSTS.

I MUST EMPHASISE THAT OUR PLANNED USE OF SHUTTLE ON THIS OCCASION DOES NOT REPRESENT A WEAKENING OF OUR SUPPORT FOR ARIANE OR THE EUROPEAN SPACE INDUSTRY IN GENERAL. THE BRITISH GOVERNMENT REMAINS FIRMLY CONVINCED OF THE NEED FOR THE COUNTRIES OF EUROPE TO COLLABORATE WHEREVER POSSIBLE ON ADVANCED INDUSTRIAL PROJECTS OF THIS KIND. THE FACT THAT WE CANNOT ALWAYS SUCCEED, AS EVIDENCED NOT ONLY BY OUR CHOICE ON THIS OCCASION BUT BY YOUR OWN GOVERNMENT'S RECENT DECISION TO USE A US ENGINE FOR YOUR EXPERIMENTAL COMBAT AIRCRAFT, MEANS THAT WE MUST ALL KEEP TRYING.

CONFIDENTIAL

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7879 - 2

MICHAEL HESLTYNE IS EXPLAINING IN HIS LETTER WAYS IN WHICH WE HOPE TO PUT ARIANE IN A BETTER POSITION TO BE CHOSEN AS THE LAUNCHER FOR THE SECOND STAGE OF OUR SKYNET PROGRAMME. THE SATELLITES WILL BE DESIGNED FROM THE OUTSET TO BE COMPATIBLE WITH BOTH ARIANE AND SHUTTLE, AND ARIANE WILL BE SELECTED IN THE COMPETITION PROVIDED THAT THERE ARE NO UNREASONABLE DISADVANTAGES RELATING TO COST, RELIABILITY OR MISSION COMPATIBILITY. WE ARE READY TO ESTABLISH A JOINT TECHNICAL POLICY GROUP OF OFFICIALS TO WORK TO MEET THIS OBJECTIVE.

FOR OUR PART, WE BELIEVE IT IMPORTANT THAT OUR DECISION ON THIS OCCASION SHOULD BE PRESENTED IN A WAY WHICH CAUSES THE LEAST POSSIBLE DAMAGE TO THE ARIANE PROGRAMME. WE SHALL WORK TO PRESENT IT ACCORDINGLY.

BEST WISHES

YOURS SINCERLY

MARGARET THATCHER

END OF MESSAGE.

HOWE

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SIR J BULLARD

SIR C TICKELL

MR ADAMS

MR JENKINS

MR HANNAY

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MR W D REEVES, AUS AIR (PE) MOD

MR P J COOPER. SPACE BRANCH, DTI

3

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7880 - 1

DD 191530Z PARIS

GRS 74

CONFIDENTIAL

DESKBY 191530Z DEC 83

FM FCG 191345Z DEC 83

TO IMMEDIATE PARIS

TELEGRAM NUMBER 675 OF 19 DECEMBER

INFO PRIORITY WASHINGTON

A.J.C. 27/12.

f.a.

SKYNET 4 LAUNCHER

1. PLEASE NOW DELIVER THE MESSAGE IN MIFT FROM THE PRIME MINISTER TO M MAUROY.
2. SIR ROBERT ARMSTRONG SPOKE TO ATTALI THIS MORNING AND EXPLAINED THAT MINISTERS HAD DECIDED FOR SHUTTLE.
3. WE HOPE TO LET YOU HAVE SOON THE MESSAGE FROM MR HESLTIME TO WHICH THE PRIME MINISTER'S MESSAGE REFERS.

HOWE

NNNN

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Ref. A083/3509

MR COLBY

A.C. 20/12

f.a.

Launcher for Skynet Satellites

I spoke to Monsieur Attali in Paris this morning to tell him of the decision that would be announced tomorrow. I did not go into detail: I said that the combination of operational, technical and cost reasons made it impossible to choose Ariane for the first stage, but we had in mind ways in which we hoped to put Ariane in a better position to be chosen as the launcher for stage 2 of the Skynet programme.

2. The decision did not seem to come entirely as a surprise to Monsieur Attali, though he said that it would be a shock to French public opinion. He hoped that in the announcement we would refer to keeping open the possibility of using Ariane for stage 2. I said that we would make it clear to the press that different considerations might well apply to later stages of Skynet, and that we had in mind the possibility of using Ariane for later stages.

3. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Secretary of State for Defence.

REA

ROBERT ARMSTRONG

19 December 1983

CONFIDENTIAL

①

OD



Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

Agree message?

16 December, 1983

A.J.C. 16/12

Agreed MB

Dear John,

Choice of Launch Vehicle for Skynet

Thank you for copying to me your letter of 16 December to Richard Mottram. Sir Geoffrey Howe is content with what is proposed.

I enclose a draft message from the Prime Minister to M. Mauroy, with which Sir Geoffrey Howe is content. If the Prime Minister agrees, we would propose to telegraph the text to Paris as soon as possible for delivery on Monday morning, when Sir Robert Armstrong plans to speak to M. Attali. It will clearly be important to delay any announcement until after the French have been informed.

I am sending copies of this letter to the Private Secretaries to other members of OD and to Sir Robert Armstrong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

DSR 11 (Revised)

CONFIDENTIAL

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: M. Mauroy

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

DRAFT MESSAGE FROM PM TO M MAUROY

CAVEAT.....

We exchanged messages last month about the choice of launch vehicle for our Skynet 4 satellite system. I was very glad to respond to your suggestion for a team from the CNES to visit London for a final discussion of the launch options. I am grateful for the prompt visit by the CNES team at such short notice, and for the generous proposals they advanced at that meeting.

I am writing to tell you, before an official announcement is made, that after the most careful consideration we have now decided that satellites in the first stage of the Skynet 4 programme should be launched by Shuttle. This has not been an easy decision. ^{It is based on} ~~and the~~ operational and technical factors, as well as cost, ~~are the reasons~~ ^{for it.} Michael Heseltine is writing to M. Hernu to set out ~~these~~ reasons fully and frankly, but in view of our shared concern for the Ariane programme and the interest you have taken in the decision, I should like to make

Enclosures—flag(s).....

sure you are aware of them too.

The use of Ariane would cause us considerable operational and technical problems, in addition to the extra expense it would involve. On the technical side, we would need to review the interface between satellite and launcher, revalidate the structural design and prepare a new mission analysis. This, together with associated contractual negotiations and the establishment of a new communications link between Kourou and the US, would delay the first launch by nine to twelve months.

For operational reasons, this delay would be extremely difficult. We need Skynet in order to provide essential operational communications for our forces in Europe and the Atlantic. If the planned launch date of November 1985 for the first satellite could not be met, we would need to procure additional satellite capacity, at great expense. You will, I am sure, understand the strong operational ^{requirements} ~~and~~ that our forces should have the vital communications they need, when they need them, and the dangers that any gap would entail.

As to cost, I am very grateful, as I have said, for the efforts you have made to help bridge the difference between Ariane and Shuttle. The gap nevertheless remains very large and there is also the cost of additional and extremely expensive capacity needed as a result of any delay which the selection of Ariane might involve. At a

time when we are looking very hard at ways to cut public expenditure, we would find it extremely difficult to accept such costs.

I must emphasise that our planned use of Shuttle on this occasion does not represent a weakening of our support for Ariane or the European Space industry in general. The British Government remains firmly convinced of the need for the countries of Europe to collaborate wherever possible on advanced industrial projects of this kind. The fact that we cannot always succeed, as evidenced not only by our choice on this occasion but by your own Government's recent decision to use a US engine for your experimental combat aircraft, means that we must all keep trying.

Michael Heseltine is explaining in his letter ways in which we hope to put Ariane in a better position to be chosen as the launcher for the second stage of our Skynet programme. The satellites will be designed from the outset to be compatible with both Ariane and Shuttle, and Ariane will be selected in the competition provided that there are no unreasonable disadvantages relating to cost, reliability or mission compatibility. We are ready to establish a joint technical policy group of officials to work to meet this objective.

For our part, we believe it important that our decision on this occasion should be presented in a way which causes ^{the} least possible damage to the Ariane programme. We shall work to present it accordingly.

~~shall work to present it accordingly.~~

da



10 DOWNING STREET

OD:- LCO DTI
FCO
HMT
LPS
MOD
LPS
CDL
CO

16 December 1983

From the Private Secretary

Dear Richard,

Launcher for Skynet Satellites

As you know, OD was not able to discuss this subject yesterday owing to lack of time.

The Prime Minister has seen the correspondence and has noted the view of your Secretary of State, as well as the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, that we should choose the American Shuttle as the launcher for Skynet. No other member of OD has commented.

Subject to any further views from OD colleagues, the Prime Minister is prepared now to agree to the choice of Shuttle without discussion in OD. She would be content for the French Government to be so informed. I should be grateful if you, or Roger Bone, could let me have a suitable draft letter from the Prime Minister to M. Mauroy. Your Secretary of State will also doubtless write to the French Minister of Defence. I believe that Sir Robert Armstrong intends to speak to M. Attali at the Elysee on Monday 19 December. Your Secretary of State will doubtless wish to announce his decision soon.

BM

I am copying this letter to the Private Secretaries of other Members of OD and to Sir Robert Armstrong.

John
for Col.

Richard Mottram, Esq.,
Ministry of Defence.

W7

Ref: B06923

Agree to Shuttle without a
further meeting?MR COLE ✓

A.F.C. 15/12

c Sir Robert Armstrong

Yes m/s

Choice of Launch Vehicle for Skynet 4 Satellites

There was no time for OD to discuss this item this morning. But as the brief provided for the Prime Minister explained, the Foreign and Commonwealth Secretary now agrees that the financial and operational arguments in favour of choosing the American Shuttle as the launcher outweigh the case for the European Ariane. The Chancellor of the Exchequer wrote to the Defence Secretary on 14 November strongly supporting his decision to stay with Shuttle. No other member of OD has commented. The latest offer from the French has been more than compensated for by a fresh offer from the Americans which has had the effect of widening the cost gap in favour of Shuttle.

2. Since there has already been press speculation that Ministers are to take a decision this week, both the Ministry of Defence and the Foreign and Commonwealth Office consider that there is a strong case for taking a decision and informing the French as soon as possible. There is already a Parliamentary Question down to the Defence Secretary for written answer. The next meeting of OD cannot be arranged before mid-January.

3. I recommend therefore that the Prime Minister should agree the choice of Shuttle and that the French should be told of this as soon as possible. In his minute of 12 December the Foreign and Commonwealth Secretary proposed that the Prime Minister and the Defence Secretary should write to Monsieur Mauroy and Monsieur Hernu respectively. Draft letters have already been agreed at official level on a contingency basis, and have been submitted to the Foreign and Commonwealth Secretary (who agrees with the drafts) and to the Defence Secretary. It was also suggested that Sir Robert Armstrong should speak to Monsieur Attali (who raised the matter with him last month).

4. If the Prime Minister agrees to the choice of Shuttle, I suggest that, in conveying this to the Defence Secretary's Private Secretary, you might suggest that unless any member of the Committee raises objection, the letters to Monsieur Mauroy and Monsieur Hernu should be despatched, and that Sir Robert Armstrong should seek to speak to Monsieur Attali, on Monday 19 December, and that the Defence Secretary could announce his decision on Tuesday.

David Goodall

14 December 1983

A D S GOODALL

DEFENSE
Clymer

Oct '81



3

Ref: B06921

PRIME MINISTER

c Sir Robert Armstrong

OD: Launcher for Skynet Satellites

BACKGROUND

Para A The Defence Secretary, in his minute to you of 10 November, proposed that the launch vehicle for the two Skynet 4 military satellites should be the American Shuttle rather than Ariane, which is manufactured by a European consortium (Arianespace) led by France with a 59.25 per cent stake (the United Kingdom's share is 2.4 per cent). You have asked that the issue should be discussed by OD.

Para B
Para C
Para D
Para E
Para F
Para G 2. Other relevant papers are the Chancellor of the Exchequer's minute of 14 November supporting Shuttle; the Foreign and Commonwealth Secretary's minute of 15 November, describing the wider context, in terms of Anglo-French relations, of this issue; Sir Robert Armstrong's minute of 14 November to Mr Coles about an approach from President Mitterrand's adviser, Monsieur Attali, which linked Skynet and the French vote on the United Nations resolution on the Falklands; the message to you from the French Prime Minister, Monsieur Mauroy, of 17 November; the Foreign and Commonwealth Secretary's minute of 12 December covering a detailed note about HMG's past commitments and possible consequences for our international relations; and the Defence Secretary's minute of 12 December about the latest offers from the French and the Americans.

3. In brief, the case for Shuttle is as follows -

- a. it is cheaper by some £27 million (or, in other words, Ariane is over 50 per cent more expensive);
- b. it is a proven system;
- c. the fixed price contract with British Aerospace for the Skynet satellite is based upon Shuttle - to change it would involve redesign and give British Aerospace the chance of increasing the price;

d. Shuttle offers the only way of bridging the communication gap with our naval forces which would occur after 1985 if the Americans refuse to prolong the facilities which they now provide for us.

4. The case for Ariane lies in the following -

a. our commitments under the 1974 European Space Agency Convention and the 1980 Arianespace Declaration to give the Ariane launcher preference unless its use would be "unreasonably disadvantageous with regard to cost, reliability or mission compatibility": but these commitments are not regarded as legally enforceable in the present case;

b. the French regard Ariane as a test of the United Kingdom's European commitment and of our willingness to support European, and particularly Anglo-French, collaboration, and may therefore make more of a fuss if Shuttle is chosen than the issue itself warrants. This could bring into sharper focus the political arguments in favour of United Kingdom participation in the A320 airbus project.

5. The French have been given the chance to reduce the cost differential, but have done so only to the tune of £3 million: while very recently the Americans have responded by reducing the price of Shuttle by over £7 million, mainly in return for their use of capacity in the Skynet satellites. The effect is to widen the cost differential in favour of Shuttle.

HANDLING

6. The Foreign and Commonwealth Secretary accepts that the operational and financial arguments for Shuttle outweigh the case for Ariane. It seems unlikely therefore that there will be much discussion in the Committee about the choice itself: discussion is likely to focus on the timing of a decision and its presentation to the French.

7. You should invite the Defence Secretary to introduce the discussion and the Foreign and Commonwealth Secretary to comment on the timing and presentational aspects. Points on which the Committee need to take a view include -

- a. are the operational and financial arguments for Shuttle decisive? What are the prospects for obtaining a continuation of American communications support after 1985?
- b. will a decision against Ariane be likely to alter the balance of the argument over the more important A320 issue which will not be ready for Ministerial decision until the end of January? Is there a case for linking the two decisions? If we are to come down in favour of finance for the A320, a link seems unnecessary; but how much would a favourable decision on Ariane help to soften a decision against the A320?
- c. if nevertheless Shuttle is to be chosen, when should the decision be announced? Since there is already Press speculation that Ministers are to take a decision this week, an early announcement would seem inevitable; and to take a decision now but not announce it until later is hardly feasible because experience suggests the decision would leak.
- c. how should a decision in favour of Shuttle be presented to the French? The Foreign and Commonwealth Secretary suggests that you should write immediately to Monsieur Mauroy, the Defence Secretary should write to the French Defence Minister, Monsieur Hernu, and Sir Robert Armstrong speak to Monsieur Attali.

CONCLUSION

8. Subject to the discussion, you might guide the Committee to agree that
- a. Shuttle should continue to be the chosen launch vehicle;
 - b. the French should be informed immediately and ahead of any announcement at home.

Dennis Goodall

14 December 1983

A D S GOODALL



CC DP

MO 11/8/2

PRIME MINISTERCHOICE OF LAUNCH VEHICLE FOR SKYNET 4 SATELLITES

Further to my minute of 10th November, colleagues will wish to know of recent developments which have improved both the Ariane and Shuttle offers.

Ariane

2. Following the exchange of messages between M. Mauroy and yourself, French officials visited London on 2nd December with a new offer to reduce the previously quoted price for Ariane by £3M to £78.4M - see Annex B to my earlier minute. This reduction, which is additional to the £2M reduction offered in September, would be achieved by the French absorbing in whole or part some of the ancillary elements of cost listed in that Annex. The French also emphasised the favourableness of their postponement charges (which would be levied if a satellite were not available for launching on the planned date) compared with those for Shuttle. They also offered to subsidise the higher premium for insurance against Ariane launch failure (though on Treasury advice as a matter of policy we might not insure commercially anyway). Finally, they challenged our estimate of 9-12 months for the delay to the first launch which would result from selecting Ariane at this stage; they say 6 months.



Shuttle

3. My officials were in Washington last week negotiating terms for launch by Shuttle. The Americans offered:

- a. a reduction of £0.9M in their administrative charges;
- b. a reduction of £6.3M in launch costs in return for use of capacity in the Skynet satellites themselves (see paragraph 3 of my earlier minute);
- c. reduced postponement charges;
- d. a more flexible approach to commercial insurance requirements.

Assessment

4. There could be changes of detail in the final US offer, but subject to this the price comparison is:

£M at 1983/84 prices and £1 = \$1.52

Ariane	78.4*
Shuttle	<u>50.7+</u>
	27.7

* Plus the cost of any gap-plugging measure
(paragraph 3 of my earlier minute)

+ Could increase by 1.0 or so for additional services.

It may be that the Americans would be prepared to pay for Skynet 4 capacity even if Ariane were the launcher; this has not been put formally to them.



5. There is nothing here to alter my earlier conclusion that the choice of Shuttle should now be confirmed.

6. I am copying this to the recipients of my earlier minute.

A handwritten signature in blue ink, appearing to be "H. J. A." or similar.

Ministry of Defence

12th December 1983

Defence
Oct 81
Sky net

13 DEC 1983



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DP ②



Prime Minister.

You may like to see this before the meeting on 15 December. But now that the Foreign and Defence Secretaries are agreed on Shuttle there may not need to be much discussion.

PM/83/101

PRIME MINISTER

A.S.C. 12/12.
M

Launcher for Skynet 4

1. In my minute of 15 November to the Secretary of State for Defence I described briefly the wider context of this issue: I now enclose a more detailed note as a background to the OD discussion now proposed for 15 December.
2. I understand that a French team visited London on 2 December to make a final offer. The way is now clear for us to reach a decision. On the assumption that the final French offer does not affect the Defence Secretary's recommendation, I believe that the operational and financial arguments for Shuttle, as set out in his minute of 10 November, outweigh the case for Ariane. Of course, a decision against Ariane would bring into sharper focus the political arguments in favour of UK participation in the A320 project.
3. If we are to opt for Shuttle, we must expect the French to make a fuss. Indeed, in the wake of the Athens summit they may be looking for an issue to illustrate an alleged lack of European commitment by the UK, and may therefore choose to make even more of an adverse Skynet decision than would otherwise have been the case. There is, therefore, a case for keeping the French in the dark for a time about a decision to go for Shuttle, in an attempt to distance it from the post-Athens discord, and in the hope that it could later be coupled with a favourable response on the A320.

/4. But we

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✓ 1. But we cannot prejudge that decision. And there would meantime be serious risk that our Shuttle decision would leak and provoke a fresh round of French lobbying. I think that it would, on balance, be wiser to tell the French quickly.

5. Presentation would then be very important, and the enclosed note suggests ways we might handle this. I hope that, as proposed in paragraph 13 of the note, you and the Defence Secretary will agree to write to M. Mauroy and M. Hernu respectively. Officials are already in touch over texts on a contingency basis.

6. I am copying this minute to the Secretary of State for Defence, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chief Secretary to the Treasury and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
12 December 1983



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CHOICE OF LAUNCH VEHICLE FOR SKYNET 4

Introduction

1. The Secretary of State for Defence has recommended the adoption of Shuttle as the launch vehicle for the Skynet 4 telecommunications satellites. This paper considers briefly HMG's commitments over Ariane and the possible consequences of a decision for relations with our European partners and the US, and sets out ways we might hope to present a decision against Ariane to the French.

The French View

2. The French have sought to portray this decision as very important not only for Ariane but for the future of Anglo/French collaboration and as a test of the UK's European commitment. Their motives include economic interest, a desire for European collaboration and national prestige. Though the French have recently had considerable success in securing payloads for Ariane, they would regard a decision by HMG to use Shuttle as a substantial threat to Ariane's status as a commercial alternative to American launchers.

The US View

3. The choice between Shuttle and Ariane does not touch

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directly on important US national interests, and the Americans have not so far sought to link a decision on Skynet 4 to other defence related collaboration. However, the Americans have been expecting a final decision in favour of Shuttle for some time. They have also been negotiating use of capacity in Skynet 4 itself, and the 9 to 12 month delay consequent on a change to Ariane would deny them capacity in 1986 when their own resources are inadequate.

UK Commitments to Ariane

4. The 1974 European Space Agency Convention and the 1980 Arianespace Declaration commit HMG to giving the Ariane launcher preference over its rivals subject to the exclusions mentioned in the Defence Secretary's minute. These exclusions are sufficiently widely drawn to make the commitment legally unenforceable, certainly in the present instance. The French could claim that the UK would be in breach of the spirit of the agreements if Shuttle is chosen. They will continue to argue that, if Skynet had been designed to be compatible with Ariane as well as with Shuttle, the exclusions would not have applied, since they result largely from the cost and delay consequent on a change at this stage.

5. At the meeting between the Defence Secretary and M Henu on 21 October, the French implied the existence of an additional UK commitment to Ariane provided its costs were within 25% above those of Shuttle, (an implication

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they had first made in official level talks a few weeks before). This is a French attempt to apply to national projects an undertaking given by the Department of Trade and Industry in 1980 in respect of the use of Ariane by the European Space Agency (ESA), when they agreed that the ESA should not be committed to use Ariane if its price were more than 125% of the cheapest alternative. To accept it explicitly would be a dangerous precedent.

Other Anglo/French Projects

6. The French attach particular importance to British participation in the A320 Airbus, and want the project launched before the end of the year. Ministers plan to take a decision by the end of January. At about the same time we expect to be seeking French approval for our plans to transfer financial responsibility from HMG to British Airways for the operation of Concorde. Also in the Spring we shall be looking again at the Channel Fixed Link, where the French are unlikely to sympathise with our continuing insistence on private funding without government guarantees, even though we have stressed the point since the question of a link again came up.

7. On the defence equipment side, we are involved with the French (and the Germans) in the third generation anti-tank guided weapon project. The most important project on the horizon is the Future European Fighter Aircraft (in which other European partners as well as France are likely to be involved). We have also opened negotiations to join the Franco/German anti-tank

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helicopter project. So far as the Future European Fighter Aircraft is concerned, although the French are prepared to subscribe to a 5 nation statement of the operational requirement, it is not yet clear whether they will choose to go their own way, perhaps trying to take the Germans with them, or whether they can be brought into wider European collaboration, including the UK and perhaps Italy.

8. The French almost certainly regard our participation in the A320 project as more important than our use of Ariane for Skynet, but their reactions to our decisions on these issues are likely to be interconnected. A negative decision on Skynet would make the consequences of a subsequent negative decision on the A320 more serious, both in political terms and in terms of industrial collaboration.

9. There seems no scope for a 'package' to put to the French, either in the defence procurement or wider industrial field, to bargain a return against selection of Ariane. One major possible element of such a package, French use of the RB 199, is now ruled out.

10. Indeed, the French are not averse to transatlantic collaboration when it suits them. Besides their adoption of the General Electric 404 engine, the present Airbus family also has US engines and the major collaborative effort of the nationalised French manufacturer SNECMA is with General Electric rather than a European partner.

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Wider European Aspects

11. Though the French interest predominates, Arianespace is a European effort. It is doubtful whether a decision against Ariane would significantly damage relations with our other European partners. But the support we are expressing for greater industrial collaboration within the European Community will look rather hollow if there is an obvious discrepancy between our words and our deeds.

French Reactions After Athens

12. The French can be expected to make a fuss over a decision for Shuttle. In the wake of the Athens summit they may be looking for an issue to illustrate a lack of European commitment by the UK. However, if there are to be recriminations, better perhaps now in the immediate aftermath of Athens than in the run-up to European Councils in the French Presidency.

Presentation

13. If Shuttle is chosen, presentation of the decision to the French will be important. HM Ambassador at Paris has strongly recommended that messages should issue from the Prime Minister to M. Mauroy and from the Defence Secretary to M. Hernu, and that Sir Robert Armstrong

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should speak to M Attali at the Elysee since the latter telephoned him on this subject in early November. In these contacts, we should make the following points :

- (a) The decision does not alter our political and industrial commitment to the European space programme. This includes possible use of Ariane for Stage 2 launches.
- (b) This decision was taken on purely technical, operational and financial grounds. The arguments on this occasion left no alternative. In particular, our military and strategic requirements are such that a different decision would have imposed an unacceptable delay. It does not follow that the arguments will always be the same.
- (c) We remain eager to identify other collaborative ventures, even though it may not have been possible on this occasion.
- (d) It is in no-one's interest to play up in public the fact that Ariane has lost a possible customer in Skynet.
- (e) We note that the French recently decided to use US engines in their experimental combat aircraft project in preference to the European RB199 engines.

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Defense
Oct 81
Sky net

1121 DEC 1983

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1983

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Ref: B06911

This was discussed at
 Dep. Sec. App 8 ①
 12 p.a.
 Time Minutes

Content that the Skynet issue
 should be settled in correspondence?

MR COLES ✓

cc Sir Robert Armstrong o/r
Mr Facer

- or leave it on the agenda in case
 there is time (we have 75 minutes)?

15+
 OD on 12th December: Agenda

Yes not A.S.C. 7/12

The meeting of OD at ~~2.30 pm~~ on 12th December was set up to discuss East-West relations, on which the Foreign and Commonwealth Secretary has circulated a paper, and Skynet, which the Prime Minister asked to have discussed in OD (your letter to Mr Mottram of 14th November). The Foreign and Commonwealth Secretary is now anxious that it should discuss the Future of the Crown Agents (OD(83) 18) on which press speculation and parliamentary interest makes a decision before Christmas highly desirable.

2. I understand that the meeting must finish by 3.45 pm because of the Prime Minister's other engagements and I do not think that there will be enough time to discuss all three items. There is genuine urgency about the future of the Crown Agents and a discussion on East-West relations would be a useful curtain raiser to the discussion of arms control issues in OD(D) two days later on 14th December. After consultation with the Departments concerned, therefore, I recommend that we should drop Skynet. The Foreign and Commonwealth Secretary will be circulating a minute on this subject within the next few days which is likely to accept the arguments in favour of Shuttle and concentrate on the timing of the decision and its handling vis-a-vis the French. This means that there is a reasonable prospect that the Skynet issue can be agreed in correspondence. The alternative would be to postpone discussion of it until the New Year, which would be unwelcome to the Ministry of Defence.
3. I should be glad to know whether the Prime Minister is content that Skynet should be left off the agenda of OD on 12th December and if possible settled in correspondence.

David Goodall

7th December 1983

A D S GOODALL

DLR 466/25

to have confirmed
that Secretary of State
had seen & approved
JB
25/11

NO DISTRIBUTION

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GRS 310
CONFIDENTIAL
FM NEW DELHI 250705Z NOV 83
TO IMMEDIATE FCO LONDON
TELEGRAM NUMBER 938 OF 25 NOVEMBER 1983

to Ministry telephone
1705Z to say Mr Baker
had agreed to draft
JB
25/11

ADVANCE COPY
MEO 192/17 Dec
IMMEDIATE
8 NOV 1983

T2 PS

FOLLOWING FOR PRIVATE SECRETARY FROM PRIVATE SECRETARY TO THE
PRIME MINISTER

Mr. Burgess

LAUNCH VEHICLE FOR SKYNET 4

Use same. Approved, subject
to * (re.
MOD +
D.T.I.)

1. I RECEIVED YESTERDAY AN UNSIGNED MINUTE COVERING A DRAFT
MESSAGE WHICH IT IS PROPOSED THAT THE PRIME MINISTER SHOULD
SEND TO THE FRENCH PRIME MINISTER IN REPLY TO HIS LETTER OF
17 NOVEMBER.

2. I NOTE THAT THE DRAFT REPLY HAS BEEN CLEARED ONLY BY OFFICIALS.
PROVIDED THAT THE MINISTERS CONCERNED ARE CONTENT WITH THE REPLY,
THE PRIME MINISTER IS ALSO CONTENT THAT IT SHOULD BE DESPATCHED.

25/11

3. SO THAT THERE IS NO MISUNDERSTANDING, THE FOLLOWING IS THE
TEXT WHICH THE PRIME MINISTER HAS APPROVED:

BEGINS:

THANK YOU FOR YOUR LETTER OF 17 NOVEMBER ABOUT THE CHOICE OF A
LAUNCHER FOR OUR SKYNET PROGRAMME.

I SHARE YOUR VIEW THAT WE SHOULD CONTINUE TO MAKE EVERY EFFORT
TO BROADEN THE BASE OF INDUSTRIAL COLLABORATION BOTH BETWEEN
OUR TWO COUNTRIES AND IN EUROPE. OUR IDENTITY OF PURPOSE EMERGED
CLEARLY FROM THE SUMMIT DISCUSSIONS, AND I FEEL CONFIDENT THAT WE
ARE NOW GOING THE RIGHT WAY.

ON SKYNET WE HAVE BEEN LOOKING CAREFULLY INTO THE POSSIBILITY OF
USING A EUROPEAN LAUNCHER. AS YOU WILL KNOW FROM THE DISCUSSIONS
WHICH HAVE TAKEN PLACE BETWEEN MR. HESELTINE AND M. HERNU, WE SEE
SERIOUS TECHNICAL, OPERATIONAL AND FINANCIAL OBSTACLES TO THE USE
OF ARIANE. THE TECHNICAL AND OPERATIONAL PRESSURES ON US ARE NOW
GREAT, AND A DECISION WILL NEED TO BE TAKEN VERY SOON. TIME IS
THEREFORE SHORT, BUT IF YOUR GOVERNMENT HAS FINAL PROPOSALS TO PUT
FORWARD, WE SHOULD BE GLAD TO EXAMINE THEM. I ACCORDINGLY WELCOME
YOUR SUGGESTION THAT A JOINT TEAM SHOULD BE SET UP TO

THANK YOU FOR YOUR LETTER OF 17 NOVEMBER ABOUT THE CHOICE OF A LAUNCHER FOR OUR SKYNET PROGRAMME.

I SHARE YOUR VIEW THAT WE SHOULD CONTINUE TO MAKE EVERY EFFORT TO BROADEN THE BASE OF INDUSTRIAL COLLABORATION BOTH BETWEEN OUR TWO COUNTRIES AND IN EUROPE. OUR IDENTITY OF PURPOSE EMERGED CLEARLY FROM THE SUMMIT DISCUSSIONS, AND I FEEL CONFIDENT THAT WE ARE NOW GOING THE RIGHT WAY.

ON SKYNET WE HAVE BEEN LOOKING CAREFULLY INTO THE POSSIBILITY OF USING A EUROPEAN LAUNCHER. AS YOU WILL KNOW FROM THE DISCUSSIONS WHICH HAVE TAKEN PLACE BETWEEN MR. HESELTINE AND M. HERNU, WE SEE SERIOUS TECHNICAL, OPERATIONAL AND FINANCIAL OBSTACLES TO THE USE OF ARIANE. THE TECHNICAL AND OPERATIONAL PRESSURES ON US ARE NOW GREAT, AND A DECISION WILL NEED TO BE TAKEN VERY SOON. TIME IS THEREFORE SHORT, BUT IF YOUR GOVERNMENT HAS FINAL PROPOSALS TO PUT FORWARD, WE SHOULD BE GLAD TO EXAMINE THEM. I ACCORDINGLY WELCOME YOUR SUGGESTION THAT A CNES TEAM SHOULD VISIT LONDON WITHIN THE NEXT FEW DAYS.

ENDS

WADE-GERY

NNNN

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final I+

FROM:

PRIME MINISTER

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

M Pierre Mauroy
Prime Minister of France

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

A

.....In Confidence

Thank you for your letter of 17 November about the choice of a launcher for our Skynet programme.

I share your view that we should continue to make every effort to broaden the base of industrial collaboration both between our two countries and in Europe. Our identity of purpose emerged clearly from the summit discussions, and I feel confident that we are now going the right way.

On Skynet we have been looking carefully into the possibility of using a European launcher. As you will know from the discussions which have taken place between Mr Heseltine and M Hernu, we see serious technical, operational and financial obstacles to the use of Ariane. ^{Richard and} The operational pressures on us are now great, and a decision will need to be taken very soon. Time is therefore short, but if your Government has final proposals to put forward, we should be glad to examine them. I accordingly welcome your suggestion that a CNES team should visit London within the next few days. B.

Enclosures—flag(s).....

Prime Minister

MR. COLES

Agree message to the French

LAUNCH VEHICLE FOR SKYNET 4

Prime Minister?
Yes no A.F.C. 24/11

I attach a draft message from the Prime Minister to M. Mauroy and the supporting papers. We need to move pretty quickly if we are to arrange a meeting with the French in good time before the proposed meeting of OD on 12 December.

The submission which came to me in the box from London says that the draft reply has been cleared by DTI and MOD officials. We will obviously have to make sure that Mr. Heseltine is personally on board. I can do that in London on Friday. But it would be very helpful to know as quickly as possible whether the Prime Minister is content with the message and whether she would like any changes made. We can send the necessary telegram of instructions to John Fretwell from London. The signed original, if required, can follow in due course.

B. Fall

24 November 1983

AMBASSADE DE FRANCE
LONDRES

24th November, 1983

Dear Prime Minister,

sub
24/11

on file

I enclose the original of a letter which M. Pierre Mauroy is sending to you about the Skynet satellite launching ; the text of this correspondence was forwarded to you in advance last Thursday.

Yours Sincerely

A. Grenier

A. Grenier
Ministre Conseiller

The Rt. Hon. Margareth Thatcher, MP,
Prime Minister
Cabinet Office
10 Downing Street
LONDON SW1

FILE
CONFIDENTIAL

icdf
da



10 DOWNING STREET

From the Private Secretary

18 November 1983

Skynet

I enclose a copy of a letter which the Prime Minister has received from the Prime Minister of France.

I should be grateful if you could arrange for me to receive a suitable draft reply.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

BLE



10 DOWNING STREET

From the Private Secretary

18 November 1983

The Prime Minister has asked me to thank you for your letter of 17 November enclosing the text of a message from the Prime Minister of France.

A. J. COLES

His Excellency Monsieur Emmanuel de Margerie

AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

17th November, 1983

Dear Prime Minister

I have just received the text of a message
addressed to you by Monsieur Pierre Mauroy, Prime
Minister.

I enclose it herewith, and attach an unofficial
translation.

Yours sincerely
E. M. M. M.

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
10, Downing Street,
London, S.W.1.

E

AMBASSADE DE FRANCE
LONDRES

Texte de la lettre adressée par

Monsieur Pierre Mauroy, Premier Ministre

à

Madame Margareth Thatcher, Premier Ministre du Royaume Uni.

Le 17 novembre 1983

"Madame le Premier Ministre,

Lors du dernier sommet franco-britannique, le Président de la République vous a fait part de l'intérêt qui s'attachait à la promotion commerciale du lanceur européen Ariane qui vient de réussir ses vols de qualification.

La coopération entre les pays membres de l'Agence Spatiale Européenne pour développer une famille de lanceurs de satellites compétitifs et fiables témoigne d'une volonté commune de maîtriser des technologies de pointe et de prendre place sur le marché mondial de l'espace.

Au moment où votre gouvernement s'apprête à se prononcer sur le mode de lancement du satellite Skynet, je souhaite appeler votre attention sur les retombées commerciales et industrielles que ne manquerait pas d'entraîner une référence britannique pour la société de commercialisation Arianespace.

.../...

Le gouvernement français est prêt à demander au CNES d'envoyer dans les tout prochains jours, une mission de haut niveau qui soit susceptible, en liaison avec Arianespace, d'apporter, le cas échéant, des éclaircissements complémentaires sur les délais de livraison, le coût de l'offre européenne et les problèmes de couvertures des risques industriels.

Je suis convaincu que nous saurons chaque jour davantage approfondir les voies de coopération qui s'offrent aux industries des deux pays comme à l'ensemble de l'industrie européenne.

Je vous prie de croire, Madame le Premier Ministre, en l'assurance de mes sentiments les meilleurs.

signé : Pierre Mauroy"

SUBJECT re H. de S.
Gin

Dear Prime Minister,

At the last Franco-British summit, the President of the Republic underlined the importance of developing the commercial promotion of the Ariane European launcher which has just successfully completed its qualification launches.

The decision taken by the Member States of the European Space Agency to cooperate on developing a family of competitive and reliable satellite-launchers reflects their common will to master advanced technologies and to take their share of the world space market.

At the time when your Government is about to choose the launchers for the Skynet satellites I wish to draw your attention to the commercial and industrial impact which a choice for Europe would undoubtedly have on the future of the Arianespace company responsible for commercializing the launcher.

The French Government is prepared to ask CNES to send a party of senior officials, in the next few days, who in close contact with Arianespace, will be in a position to provide, if necessary, all relevant clarifications on delivery dates, the cost of the European offer and the problems of coverage of the industrial risks involved.

I am convinced that we shall continue every day to broaden the paths of cooperation open to both our two countries' industries and European industry generally.

Yours sincerely,

Pierre Mauroy

Le Premier Ministre

Paris, le

15 NOV. 1983

158642

Madame le Premier Ministre,

Lors du dernier sommet franco-britannique, le Président de la République vous a fait part de l'intérêt qui s'attachait à la promotion commerciale du lanceur Européen Ariane qui vient de réussir ses vols de qualification.

La coopération entre les pays membres de l'Agence Spatiale Européenne pour développer une famille de lanceurs de satellites compétitifs et fiables témoigne d'une volonté commune de maîtriser des technologies de pointe et de prendre place sur le marché mondial de l'espace.

Au moment où votre gouvernement s'apprête à se prononcer sur le mode de lancement du satellite Skynet, je souhaite appeler votre attention sur les retombées commerciales et industrielles que ne manquerait pas d'entraîner une référence britannique pour la société de commercialisation Arianespace.

Le gouvernement français est prêt à demander au CNES d'envoyer, dans les tout prochains jours, une mission de haut niveau qui soit susceptible, en liaison avec Arianespace, d'apporter, le cas échéant, des éclaircissements complémentaires sur les délais de livraison, le coût de l'offre européenne et les problèmes de couverture des risques industriels.

Je suis convaincu que nous saurons chaque jour davantage approfondir les voies de coopération qui s'offrent aux industries des deux pays comme à l'ensemble de l'industrie européenne.

Je vous prie de croire, Madame le Premier Ministre, en l'assurance de mes sentiments les meilleurs,

Avec cordialité et fidèle souvenir

Pierre Mauroy

Pierre MAUROY.

Madame Margareth THATCHER
Premier Ministre du Royaume-Uni

Defense
Oct 18
Shyret.

Mr. Thomas...

1884



FCS/83/231

SECRETARY OF STATE FOR DEFENCEChoice of Launch Vehicle for Skynet 4 Satellites

1. Thank you for copying to me your minute of 10 November to the Prime Minister. I have also seen the letter of 14 November from Mr Coles recording that the Prime Minister would like OD to consider this matter.
2. The technical and financial arguments in favour of Shuttle are clearly very important and it is useful to have them set out so clearly. Until recently I would have been ready to allow them to decide the issue. I was generally content, for example, with the approach you proposed to take with M. Hernu in July, on which I minuted to you at the time. However, the decision now needs to be set in the context of the continuing difficulty of the EC Stuttgart negotiations, and the question of launch aid for the A320.
3. Even if our final decision is to opt for Shuttle, we shall need to consider very carefully the questions of timing and presentation. The Stuttgart/Athens negotiations are clearly one important element in this. Another is the impending decision over the A320. And there are also the questions of Concorde Transfer to BA, and of the Channel Fixed Link.
4. There is also the specific question of timing and presentation in relation to the discussions which have taken place with the French on the Skynet launcher question. At your meeting with M. Hernu on 21 October, you asked whether there was any possibility of a new French offer to reduce the Ariane costs to within 25% above the estimated costs for the Shuttle. As your officials know, we subsequently heard from the French that they were working on a revised offer: this was confirmed by our Ambassador in Paris this weekend. (I enclose a copy of the exchange of telegrams). It is clear that before

c. u.p. 3 (2)

Prime Minister.

for information, pending

ad.

A.S.C. 15/11

MF



we come to a final decision we shall need to give the French time to come up with a revised offer, or at least give them a fixed time-limit within which to do so. Alternatively we might take the initiative with the French by suggesting a package which we would find acceptable, as you indicated in your minute, though a time-limit for acceptance might be needed. However, if we did not give the French an opportunity to respond to the question you put to M. Hernu it would leave us not only open to accusations of bad faith which would be very difficult to counter, but could lead to bad feeling in the run-up to the Athens Summit - particularly if, as we now expect, they abstain on the Falklands vote.

5. I am sending copies of this minute to other recipients of yours.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

15 November, 1983

GRS 270

SECRET

DESKBY 120900Z

PM PCO 111615Z NOV 83

TO IMMEDIATE PARIS

TELEGRAM NUMBER 573 OF 11 NOVEMBER

CHOICE OF LAUNCH VEHICLE FOR SKYNET 4 SATELLITES

PERSONAL FOR H.M. AMBASSADOR FROM ADAMS.

1. THE SECRETARY OF STATE FOR DEFENCE HAS NOW WRITTEN TO COLLEAGUES PROPOSING THAT SHUTTLE SHOULD BE CHOSEN AND M. HERNU SO INFORMED. THIS PROPOSAL IS NOW BEING CONSIDERED.
2. WE BELIEVE THAT FOLLOWING THE MEETING BETWEEN MR. HESELTINE AND M. HERNU ON 21 OCTOBER, THE FRENCH ARE WORKING ON A REVISED OFFER.
3. STRICTLY FOR YOUR OWN INFORMATION, YOU SHOULD ALSO KNOW THAT IN A TELEPHONE CONVERSATION ON 8 NOVEMBER IN WHICH ATTALI TOLD SIR ROBERT ARMSTRONG THAT THE FRENCH WOULD BE INSTRUCTING THEIR AMBASSADOR AT THE UN TO ABSTAIN ON THE FALKLANDS RESOLUTION AND THAT THE PRESIDENT HAD WITHDRAWN HIS OBJECTIONS TO THE DATES WHICH WE WERE PROPOSING FOR THE ECONOMIC SUMMIT 1984, HE ALSO ASKED THAT IT SHOULD BE CONVEYED TO THE PRIME MINISTER THAT THE PRESIDENT ATTACHED THE HIGHEST IMPORTANCE TO OUR FORTHCOMING DECISION ABOUT SKYNET.
4. WITHOUT REVEALING ANY OF THE ABOVE TO THE FRENCH OR CONSULTING THEM, WE WOULD BE GRATEFUL FOR ANY COMMENTS YOU MAY HAVE TO UPDATE THE VIEWS IN YOUR TELNO. 612 ON:
 - (A) POSSIBLE TIMING OF A NEW FRENCH OFFER AND WHAT IT MIGHT AMOUNT TO.
 - (B) ANY OTHER ISSUES WHICH MIGHT AFFECT THE BEST TIMING FOR ANY LETTER FROM MR. HESELTINE TO M. HERNU CONVEYING A DECISION THAT SHUTTLE, NOT ARIANE, WOULD BE USED.
 - (C) THE EXTENT TO WHICH A DECISION ON THIS WOULD IMPINGE ON FRENCH ATTITUDES TO OTHER ISSUES, E.G. CURRENT EC NEGOTIATIONS.
5. IT WOULD BE HELPFUL TO HAVE YOUR REACTIONS BY 0800Z ON 14 NOVEMBER.
6. THIS TELEGRAM IS NOT BEING COPIED OUTSIDE THE PCO.

HOWE

LIMITED

1

ESSD

WED

ECD(I)

NAD

DEFENCE DEPT

PS/MR WHITNEY

PS/MR RIFKIND

PS/PUS

SIR J BULLARD

MR HANNAY

MR ADAMS

SECRET

~~SECRET~~

ESKEY 140800Z

FM PARIS 121100Z NOV 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1019 OF 12 NOVEMBER

IMMEDIATE

PERSONAL FOR ADAMS, AUS

YOUR TELNO 573 : CHOICE OF LAUNCH VEHICLE FOR SKYNET 4 SATELLITES

1. FOLLOWING ARE COMMENTS ON QUESTIONS IN YOUR PARAGRAPH 4:

(A) A NEW FRENCH OFFER IS CERTAINLY UNDER CONSIDERATION AND COULD REACH US AT ANY TIME. THE FRENCH WILL IN ANY CASE ADVANCE THE TIMING IF THEY HAVE REASON TO BELIEVE THAT A DECISION IS IMMINENT IN LONDON. IT WILL CONTAIN AN OFFER TO SHARE MORE OF THE ADDITIONAL COSTS ARISING FROM USE OF ARIANE. WHEN MME CRESSON APPROACHED ME ABOUT THE USE OF ARIANE AT A RECEPTION ON 9 NOVEMBER I TOLD HER THE QUESTION WAS STILL UNDER CONSIDERATION BUT THAT VERY SUBSTANTIAL ADDITIONAL COSTS WOULD BE INCURRED BECAUSE OF THE NEED TO ARRANGE TEMPORARY COMMUNICATIONS TO FILL THE GAP BEFORE AN ARIANE LAUNCH. SHE REPLIED IN A WAY WHICH IMPLIED READINESS TO MEET A SIGNIFICANT PART OF SUCH COSTS. HOWEVER SHE HAS NO DIRECT RESPONSIBILITY: AND CONTACTS AT OFFICIAL LEVEL HAVE GIVEN US THE IMPRESSION THAT THE FRENCH WOULD THINK AT MOST OF OFFERING SOMETHING IN THE ORDER OF ANOTHER POUNDS STERLING 2 MILLION.

(B) MR HESELTINE'S LETTER SHOULD BE SENT SOME DAYS AFTER THE FALKLANDS VOTE. WE MUST NOT GIVE THE IMPRESSION THAT WE HAVE SIMPLY WAITED TO HAVE THE VOTE IN THE BAG BEFORE BREAKING THE NEWS.

(C) THERE WILL INEVITABLY BE A STRONG FRENCH VERBAL REACTION, POSSIBLY INCLUDING HINTS THAT THIS WILL AFFECT THEIR ATTITUDE IN THE EC NEGOTIATIONS. WERE THOSE NEGOTIATIONS TO FAIL AND A MAJOR SLANGING MATCH TO START ABOUT RESPONSIBILITY FOR FAILURE, EUROPEAN-MINDEDNESS ETC THE FRENCH COULD WELL INVOKE THE ARIANE AFFAIR AS ADDITIONAL AMMUNITION. BUT THE ARIANE DECISION AFFECTS A MUCH NARROWER RANGE OF FRENCH INTERESTS AND I WOULD NOT EXPECT THEM SIGNIFICANTLY TO CHANGE THEIR POSITION ON THE MAJOR QUESTIONS UNDER NEGOTIATION IN THE COMMUNITY.

2. IN THE LIGHT OF THE ABOVE, IT IS BELIEVED THAT IT IS ESSENTIAL FOR SIR R. ARMSTRONG TO SPEAK OR WRITE TO ATTALI AT THE SAME TIME AS MR HESELTINE WRITES TO HERNU. IT IS FOR CONSIDERATION WHETHER THE PRIME MINISTER SHOULD ALSO WRITE TO MITTERRAND, REFERRING TO THE ARMSTRONG/ATTALI CONVERSATION. SIR R. ARMSTRONG WILL BE BEST PLACED TO JUDGE THIS IN THE LIGHT OF THE TENOR OF HIS TALK WITH ATTALI.

3. YOU WILL RECALL THAT IN ADDITION TO THE HERNU/HESELTINE TALKS, FABIUS ALSO LOBBIED MR PARKINSON. I SUGGEST THAT IN HIS LETTER TO HERNU, MR HESELTINE MIGHT SAY HE HAS DISCUSSED THE QUESTION WITH HIS COLLEAGUES, INCLUDING MR TEBBIT, TAKING ACCOUNT OF WHAT FABIUS SAID TO MR PARKINSON, THAT HIS LETTER REFLECTS THEIR JOINT VIEWS AND THAT HE IS ACCORDINGLY COPYING IT TO FABIUS.

4. I HOPE THAT MR HESELTINE'S LETTER WILL GIVE A FULL EXPLANATION OF THE DECISION, EVEN THOUGH THIS MEANS REPEATING MUCH THAT HAS BEEN SAID PREVIOUSLY. EMPHASIS SHOULD BE PLACED ON THE RISK OF A GAP IN OUR MILITARY COMMUNICATIONS CAUSED BY AN DELAY AND THE TECHNICAL DIFFICULTY AS WELL AS THE COST OF FILLING THIS GAP. ANYTHING THAT CAN BE SAID ABOUT POSSIBLE FUTURE USE OF ARIANE BY BRITISH GOVERNMENT OR PRIVATE SATELLITES WOULD HELP TO SOFTEN THE BLOW. I THINK WE SHOULD ALSO STRESS THAT IN ANYTHING WE SAY PUBLICLY ABOUT THE DECISION WE SHALL MAKE IT CLEAR THAT IT WAS NECESSITATED BY CIRCUMSTANCES WHICH AROSE MUCH EARLIER AND WHICH ARE NOW OUT OF OUR CONTROL (DESIGN OF SATELLITE, TIMING ETC) AND THAT IT DOES NOT REFLECT ADVERSELY ON ARIANE IN WHICH WE HAVE GREAT CONFIDENCE. I HOPE THAT THIS MIGHT INFLUENCE THE FRENCH A LITTLE IN THEIR OWN PRESENTATION OF THE DECISION.

5. MR HESELTINE MIGHT ALSO SAY THAT WITH THE BEST WILL IN THE WORLD ONE CANNOT ALWAYS CHOOSE THE EUROPEAN ALTERNATIVE: HERNU NO DOUBT FACED A SIMILARLY DIFFICULT PROBLEM BEFORE DECIDING TO USE AN AMERICAN ENGINE FOR THE NEW EXPERIMENTAL COMBAT AIRCRAFT IN PREFERENCE TO A EUROPEAN ONE. BUT WE MUST BOTH KEEP ON TRYING.

FRETWELL

NNNN

SENT/RECD AT 121140Z JW/ET

Argentina: Relaciones Pt 35

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15 NOV 1985

S E C R E T



2

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

SKYNET

Thank you for your minute of 14 November about the French views on Skynet.

You will have seen from my letter of today's date to Mr. Mottram that the Prime Minister wishes to have a discussion in OD about this matter. I shall assume, unless you let me know to the contrary, that you would be content for your minute to be put to the Prime Minister when we submit to her the papers for the OD meeting.

A. U. COLES

14 November 1983

S E C R E T

By



Bt

10 DOWNING STREET

From the Private Secretary

14 November, 1983

Choice of Launch Vehicle for
Skynet 4 Satellites

The Prime Minister has seen your Secretary of State's minute of 10 November about this matter.

Mrs. Thatcher would like OD to consider it and I should be grateful if Sir Robert Armstrong could make arrangements accordingly.

B.F. |

I am copying this letter to John Kerr (Treasury), Roger Bone (Foreign and Commonwealth Office) Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office) and Sir Robert Armstrong.

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence

CONFIDENTIAL

Ref. A083/3236

MR COLES

SKYNET with AJC

I have seen the minute which the Secretary of State for Defence has sent to the Prime Minister about the decision on the launching vehicle for SKYNET.

2. The Secretary of State's minute refers obliquely to the message which reached us via Monsieur Attali, which I reported to you last week. Monsieur Attali made it clear that President Mitterrand attached the highest importance to our decision on SKYNET; and the way in which it came across suggested that it was linked in French minds with their decision to abstain on the Falklands resolution.

3. I can understand military concerns about the time and cost penalties of going for Ariane rather than the United States shuttle. But it seems to me that we have to think very carefully before rejecting the French alternative outright. I wonder whether there would be something to be said for going back to the French and in effect saying that we should like to choose Ariane but that it would now involve a substantial cost penalty (as well as a time penalty), and seeing whether the French might be prepared to reach agreement on an arrangement which reduced that cost penalty by a significant amount. Even if the outcome was not in favour of Ariane, to have handled the matter in that way would make it possible to argue that the responsibility for failure lay partly on the French as well as on our own.

RA

ROBERT ARMSTRONG

14 November 1983



cc Chief Secretary
 Mr Middleton
 Mr Bailey
 Mr Kitcatt
 Mr Halligan
 Mr Wilson
 Mr Mathews

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

14 November 1983

The Rt Hon Michael Heseltine MP
 Secretary of State for Defence
 Ministry of Defence
 Main Building
 London SW1

John Michael

CHOICE OF LAUNCH VEHICLE FOR SKYNET 4 SATELLITES

I have seen your minute of 10 November to the Prime Minister.

I agree that the financial and operational considerations clearly point to the Shuttle option. And I imagine that the cost penalty of switching to Ariane could be very much greater than the figures set out in your Annex B if as, a result of the delay, we had to buy a stop-gap satellite to avoid a reduction in our defence capability.

I can see that the possibility of French collaboration in a future combat aircraft is also a relevant consideration. But I would expect the French to make their own assessment of where their interests lie in relation to that project when the time comes, and the technical/financial issues are clearer, and be guided by it. I assume that we shall do the same.

I therefore strongly support your decision to stay with Shuttle.

I am copying this letter to the Prime Minister and the other recipients of your minute.

*Yours
 Nigel*

NIGEL LAWSON



This is difficult and important.
 French pressure on us to be "European"
 and go for Ariane are strong.
 It might be best handled in a meeting
 of 0.3.

MO 11/8/2

PRIME MINISTERCHOICE OF LAUNCH VEHICLE FOR SKYNET 4 SATELLITES

Yes - but shall we convene a meeting?
 I tend to agree with
 the conclusion in this
 paper A.F.C. 1/11

A launch vehicle has to be chosen for two Skynet 4 military satellites, which will provide communications in Europe and the Atlantic for the three Services and are being manufactured by British Aerospace (BAe). The planned launch dates are November 1985 and June 1986. The alternative launchers are the American Shuttle and Ariane, which is manufactured by a European consortium (Arianespace) led by France with a 59.25% stake. (The UK's share is 2.4%). Because Ariane was unproven at the time decisions had to be taken on the configuration of the satellite, planning has proceeded on the implicit assumption of a Shuttle launch.

2. I attach at Annex A an evaluation of the options. The Shuttle option at £58M is some £23M cheaper than Ariane (after providing for re-design and navigatory work - see Annex B). It is a proven system and we have been assured by NASA that the recently identified problem over Shuttle's solid rocket booster nozzle throat will not affect the Shuttle launch of Skynet 4. The contract with BAe is on the basis of a Shuttle launch. To change to Ariane now would entail a full technical reassessment with the probability of design changes to the satellite. The existing fixed price contract would be reopened and BAe would do their best to exploit the situation, and thereby widen the cost gap. The Americans would be losing business on which they have counted hitherto; and although their Department of Defense have said they would still co-operate - for example in supplying sensitive equipment for Skynet for which we are dependent on them - they could drag their feet. By changing to Ariane at this late stage we would set back the launch date by 9-12 months, during which period only the Americans might have the facility to provide us with satellite communications cover from their own satellites.



3. We rely today on American cover for the command and control of all our naval forces outside the UK, including submarines and surface task groups, and of our forces in the Falklands, Lebanon and Berlin; for other contingencies; and for our intelligence data base. The total capacity involved is such that its loss would result in immediate degradation of service and make us unable to count on timely communication of political direction and Rules of Engagement to forces in the field. The Americans themselves are hard pressed for capacity, and have indicated that their cover might not be available after November 1985. (Indeed they have made approaches to seek capacity from Skynet itself in 1986 in exchange for a discount on the cost of launch by Shuttle). If the Americans chose to deny us cover after 1985 the consequences would be very serious. If we had to plug the gap the only option would be to purchase an American built NATO satellite at a cost of £55M. We cannot, without asking them, judge how they would react, and it seems inherently unlikely that they would leave us totally in the lurch. But my military advisers are rightly most concerned about any possible loss of cover.

4. The operational and narrow procurement considerations therefore point clearly towards a Shuttle launch. But this decision has to be seen in its wider context of the possible implications for our relationship with France. Throughout this year the French have been lobbying hard on Ariane's behalf. M. Hernu, my opposite number, wrote to me in March pressing Ariane's claims; this followed an approach to Patrick Jenkin from his French opposite number urging European solidarity in the use of Ariane and recalling HMG's commitments under the Arianespace Declaration in 1980. This undertaking binds participating Governments to give preference to Ariane for their national programmes unless its use would be "unreasonably disadvantageous with regard to cost, reliability or mission compatibility". Although we would not be breaching any formal undertaking by choosing Shuttle, M. Hernu has told me that he believes that the spirit of the undertaking should apply. The French argue that if we had specified to BAE that Skynet must be kept compatible with Ariane as well as with Shuttle, the extra cost of opting for Ariane would have been much less than it is now. They also say that



while assuring them that the choice was still open, we have taken decisions which effectively closed it. There is some force in this. When I met M. Hernu at the Summit on 21st October, he hinted that the French Government might be willing to make a contribution to the cost to bring it down to a 25% premium.

5. The defence argument against proceeding with a Shuttle launch despite French representations is that we might sour the prospect for collaboration on much bigger projects and in particular on a future combat aircraft. When I saw M. Hernu and Dr Woerner in September at the trilateral meeting, we reached agreement on a timetable for studies of a project involving all three nations, plus Italy and Spain. But this is the first step on a long and difficult road: and ultimately success will depend upon the political will to collaborate. If we decide against Ariane, the French might well argue that that political will is lacking in the British Government.

6. The latest development is that we have now received clear and direct evidence of a very strong interest in our decision at the highest level in the French Government with the risk that the choice of Shuttle as the launcher will damage wider Anglo-French political co-operation.

7. I have given the most careful consideration to the case on these wider grounds for using Ariane. We could not defend such a decision on the basis of the present cost differential. I have looked at the sort of package which might tip the balance consisting of the following elements:

- a. a reduction by the French in their costs to bring an Ariane launch to 125% of the Shuttle cost (ie. to £72.35M - see Table 2 in Annex B);



b. selection of the RB199 engine for the French demonstrator aircraft for their future combat aircraft programme (worth some £10M);

c. further French equipment purchases from this country to close the remaining gap.

8. I have hesitated to go down this road because of the defence advantages of a Shuttle launch and doubts over whether such a package would be negotiable. The latest evidence from our Embassy in Paris is indeed that a crucial element in the package is not attainable since it appears that France has decided to select the General Electric 404 engine for their experimental combat aircraft. It has been evident for some time that they were moving towards an American solution. They may have hoped to hold back from confirming this until we had given a negative answer on Ariane which would leave us in a weak position to criticise them. The RB199 is no less important to us than Ariane is to them and European versus American arguments apply both ways. If we decide against Ariane, we could make this clear without suggesting that our decision was a tit for tat response.

9. I have - reluctantly - concluded that it would not be right at this late stage to change the launch vehicle for Skynet IV. Subject to the views of colleagues, I would propose now to inform M. Hernu of this decision: the timing and terms of my letter to him would, of course, be determined in consultation with the Foreign and Commonwealth Secretary.

10. I am copying this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry, the Chief Secretary to the Treasury and Sir Robert Armstrong.

WJA

Ministry of Defence
10th November 1983

EVALUATION OF OPTIONSShuttle, using
Payload Assist Module-DII boosterAriane 21. Reliability

Shuttle: proven

PAM-DII: still being developed,
but confidently expected
to achieve technical
objectivesTwo failures in first 5 launches,
but the sixth (June 1983) and
seventh (October 1983) launch
successful. Should be reliable
by 1985.2. Compatibility with Skynet

Complete.

Full technical review of interface
between satellite and launcher
would be necessary. Structural
design would require revalidation
and a new mission analysis would
need to be prepared. Problems
include strengthening aerials on
satellite to withstand Ariane's
vibration, and establishing a
communications interface between
Ariane's launch site in French
Guiana and the US Satellite
Control Facility in California.3. US reactions to a switch to ArianeThe Americans have been consulted
about the implications and have
said that they would continue to
co-operate in the Skynet programme.
Nevertheless could be slower to
supply cryptographic and other
equipment which is in generally
short supply and on which Skynet
depends. Could drag their feet
in helping to establish the new
communications interface at 2.
above. Would require reassurance
about the physical and electronic
security of their sensitive equip-
ment at the launch site. Potential
further delay of several months.
Any loss of US cooperation could
spill over to other satcom projects.

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4. Timescale

No delay provided satellite is ready on time.

Minimum of 6 months' delay, more likely 9-12 months, over and above any delay to the satellite.

5. Flexibility in responding to any delay in satellite availability

A new launch slot would need to be negotiated. This would probably not cause substantial delay but would be expensive if the need for delay were recognised only at a late stage.

Very flexible.

6. Operational impact of changing to Ariane

SHF cover at present provided by USA may not be available after 1985 because of the USA's own increasing demands on limited capacity. The UK would therefore have to purchase a satellite from NATO as a stop-gap.

7. Cost (at 1983/84 forecast outturn prices and £1 = \$1.52)

£57.9M (US Foreign Military Sales terms; fixed price for PAM D-II).

For Ariane launch: £81.4M (budgetary estimate), including a French Government subsidy and also a late offer to bear up to £2M of conversion costs.

For stop-gap satellite from NATO: £55M

8. Possibility of reducing launch costs in exchange for providing Skynet capacity to USA

Americans have offered £6.2M reduction (not reflected in figures in 7. above) against use in 1986 and beyond.

Americans might still be willing to do a deal but the mechanics would be more difficult.

9. Contractual

No problem.

Contract with BAe for the satellite would need to be renegotiated. BAe would use this as an opportunity to increase price of satellite, on which they at present stand to make a loss.

10. Sales prospects for Skynet 4

In contention for eventual sale or lease to NATO.

NATO have told us that they could not buy a Skynet 4 satellite with a significant French content because France does not contribute to the relevant NATO infrastructure expenditure. If so this sales opportunity would lapse.

BRIDGING THE FINANCIAL GAP£M at 1983/84 pricesTable 1 - Comparative cost of Shuttle and Ariane

	<u>Shuttle</u>	<u>Ariane</u>
1. Two launchers	29.0	52.2
2. Integration support	7.6	4.7
3. DOD Orbital support	3.6	3.6
4. FMS surcharge (3%)	1.2	0.1
5. Payload Assist Module	15.6	-
6. Modifications to satellite		
(a) to match PAM-DII	0.6	-
(b) to match Ariane vibration	-	2.05
(c) additional TT&C for ESA/NASA network	-	2.50
7. Launch site security and additional facilities	-	0.7
8. Additional PD study	-	} 8.75
9. Additional design work, documentation, testing	-	
10. Consequential costs of programme extension	-	
11. Additional AKMs	-	-
12. Orbital support from CNES etc for ESA/NASA	-	1.0
13. UHF hiring addition	-	0.9
14. MOD delay contingency	-	1.0
15. Nugatory costs		
(a) PAM-D	0.3	0.3
(b) PAM-DII	-	0.9
(c) Shuttle	-	4.7
	<hr/>	<hr/>
TOTALS	57.9	83.4
Less existing French offer against 6(b)		2.0
		<hr/>
		81.4

/Table 2 ...

Table 2 - Calculation of the 25% premium

Cost of Ariane*	83.4	
<u>less</u> French subsidy already offered -	<u>2.0</u>	81.4
Cost of Shuttle	57.9	
<u>plus</u> 25% premium	<u>+ 14.45</u>	72.35
Further subsidy required from France		<u>9.05</u>

1. On this basis the charge for launch plus orbital support (lines 1 and 12 above - 52.2 + 1.0) would be abated by 9.05 and we would pay 44.15 for those two items.



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER MP

The Rt Hon John Nott MP
Secretary of State for
Defence
Ministry of Defence
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WHITEHALL SW1A 2HB

PERSONAL

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6401
Mus 17/11
[Handwritten signature]

13 November 1981

Dear John,

You wrote to Patrick Jenkin on 9 November advising us that because of your current cash difficulties you cannot guarantee that the proposed MOD satellite project can go ahead.

In your letter to me of the same date, you quite rightly say that this would be a very poor start to IT Year. I have discussed this with Patrick again. The UK Space Industry is one of our great unsung successes. This project is vital because:

- (a) After some strong persuasion we were able to bring together the two UK manufacturers - B Ae and Marconi Space and Defence Systems in order to build a really viable industrial base;
- (b) having been brought together, the two firms are currently negotiating to invest substantial sums of their own money in a private venture to provide broadcast and business services on commercial British satellites.
- (c) This combination is in a strong position to bid for the prospective replacement NATO satellites. There is an opportunity here to sell the first non American satellites to NATO;
- (d) US Defence forces have already set the pattern of leasing part of their satellite requirements from COMSAT. Your officials are considering a similar arrangement with COMSAT. I can tell you that we have just heard of a deal negotiated between B Ae and COMSAT which could bring substantial satellite business to the UK. If the leasing arrangement can be accepted by 10 December COMSAT promise to have placed with B Ae an order for satellites to be used by INTELSAT. This initial order would in

M16/M16ACC



fact be worth some £30m to the UK and there would be a good prospects of follow-up business.

From all this you will appreciate that the business prospects are good but they depend heavily on an early favourable MOD decision. I sincerely hope that the MOD satellite project can remain in your programme.

I am copying this to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

Yours ever
Kenneth

KENNETH BAKER



12 FEB 1968

CONFIDENTIAL



MF 76

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HS

TELEPHONE 01-218 0000
DIRECT DIALING 01-218 2111/3

MO 11/8/2

9th November 1981

Dear Secretary of State,

MILITARY COMMUNICATIONS SATELLITE

Thank you for your letter of 22nd ~~October~~ which set out the industrial arguments for going ahead urgently with the proposal made by BAeD and MSDS to work jointly on a military communications satellite.

I am only too well aware of the importance of this project for the UK space industry. I am also fully up to date on the delicate position we have now reached with NATO. From one point of view the recent meeting of the NATO Satellite Communications Working Group was encouraging as the immediate US competition was found to be unsatisfactory and the two options which will go forward to the NATO Joint Communications Electronic Committee meeting on 18th November both involve the UK satellite.

However, as Tom Trenchard has explained to Ken Baker, my cash problems are such that I am now in no position to give any assurances that the programme will go ahead. The position will be clearer in a couple of weeks time when Cabinet has discussed public expenditure; our ability to proceed depends on decisions taken at that time.

Yours sincerely
John Nott

John Nott

The Rt Hon Patrick Jenkin MP

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Approved by Mr Nott
ad signed & in absence

11/8/2

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DEPARTMENT OF INDUSTRY
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Secretary of State for Industry

22 October 1981

The Rt Hon John Nott MP
Secretary of State for Defence
Ministry of Defence
Whitehall
LONDON
SW1

seen by SFS

Dear John,

MILITARY COMMUNICATIONS SATELLITE

You announced in July that project definition on a joint British Aerospace/Marconi military communications satellite should go ahead. This was after Tom Trenchard had persuaded the two companies to bid jointly rather than to pursue separately the two Anglo/American bids with which they were associated.

2. There are strong industrial arguments for going ahead with the military communications satellite on a joint basis, including the scope for sales of satellites of this type and the possibility of a NATO purchase to replace NATO III satellites. The NATO sale is particularly important since, if BAe/Marconi were successful, the US monopoly in supplying satellites to NATO would be broken. The UK space industry would gain real credibility and valuable export business would be won. As you know officials from our two Departments have been working together on the subject and the Department of Industry has made a financial contribution.

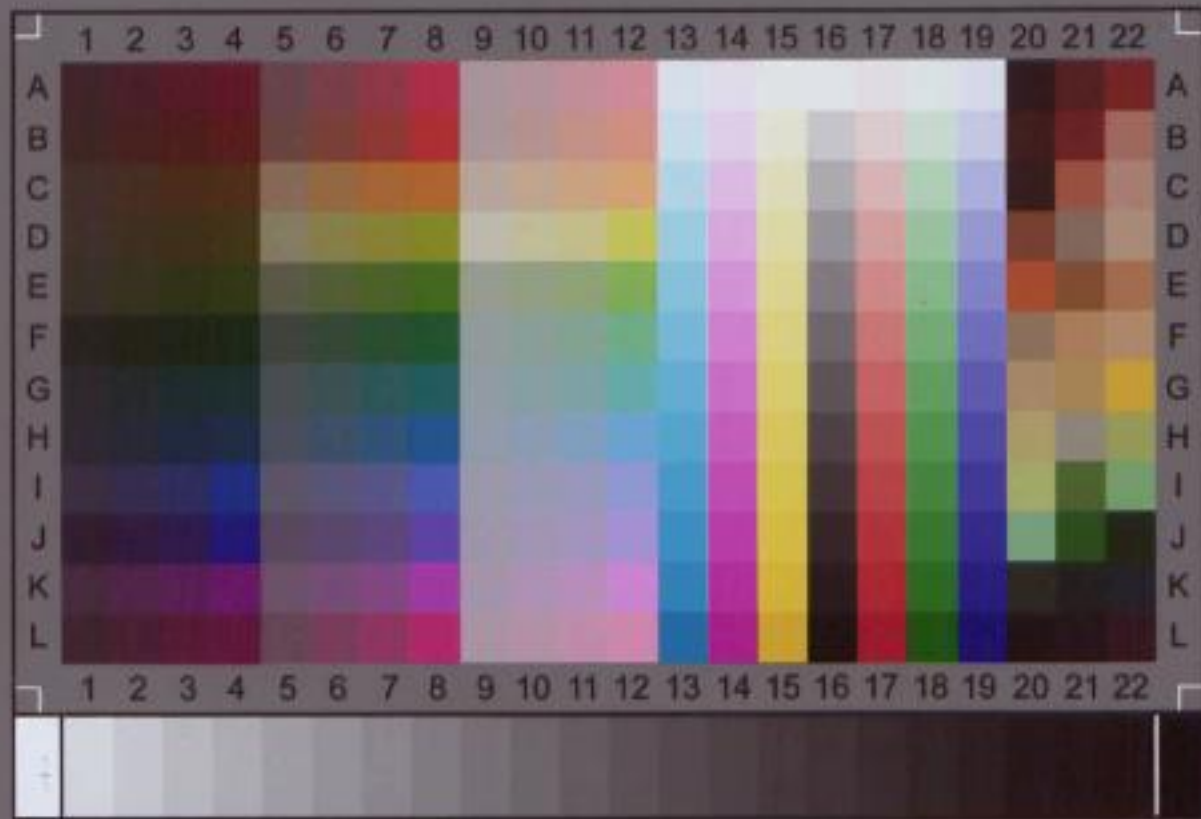
3. I understand that the project definition phase has been satisfactorily completed. Delay or cancellation of the project now would severely damage both the market prospects of the British space industry and the tentative plans for a privately-funded BAe/Marconi joint venture for civil telecommunications satellites. Your decision is particularly important at the present time because, at discussions over the coming weeks, NATO will need to be convinced that we intend to procure the BAe/Marconi satellite for our own use. Unless NATO can be convinced of this we may not be able to keep open the option of a NATO purchase from this country.

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4. In the circumstances the industrial arguments are for going ahead now with this project. I realise that you have to weigh a number of other considerations, including the cost, but I hope that it will be possible for you to hold to the previously planned timescale for the project.

You are
Patrol



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