SECRET

10 DOWNING STREET

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FILE TITLE: Policy	SERIES: DEFENCE
	PART: 1
PART BEGINS: 6 MAY 05	PART ENDS: 17 November 2005
	CAB ONE:

Part closed

Labour Administration

PREM 49/3984

SECRET

Printed in the UK for Tactica Solutions Ltd. Dd:PMOI/990/CON/1 C10 04/99.47996

PART

CLOSED

DATE CLOSED	17 & November 2005

Series : **DEFENCE**

File Title : **POLICY**

Part : **1**

Date	From	To	Subject	Class	Secret
07/10/2005	SS/MOD	DPM	Designation of critical MOD sites within SOCAP	R	
09/10/2005	DTI	MOD	Defence industrial strategy DTI comments	U	
11/10/2005	SS/DCA	DPM	Lords Constitution Committee Inquiry into the Royal Prerogative and	U	
12/10/2005	CST	SS/DTI	Defence industrial strategy	U	
17/10/2005	MOD	Cab Off	Ministerial Meeting with BAE Systems	C	
19/10/2005	MOD	LPSO	Armed Forces (Parliamentary Approval for participation in Armed Co	U	
19/10/2005	MOD	HOC	Armed Forces (parliamentary approval for participation in armed con	U	
20/10/2005	SS/MOD	DPM	Protection of sensitive MOD sites and civil nu	C	
20/10/2005	SS/DTI	DPM	Protection of senstive MOD sites and civil nuclear sites from trespas	R	
20/10/2005	MOD	MOD	French Defence Minister phone call to SOFS 20 October - UK Franc	R	
25/10/2005	MOD	SS/DTI	Future of Thales - Potential restructuring	R	
25/10/2005	FA(AP)	fco	International Policing	R	
25/10/2005	SS/MOD	SS/DCA	Lords Constitution Committee Inquiry into the Royal Prerogative and	U	
31/10/2005	DPM	SS/DCA	Lords Constitution committee inquiry into the royal prerogative and t	R	
02/11/2005	PUS/MOD	odpm	Armed Forces Bill - Final Policy proposal	U	
02/11/2005	MOD		Re UK support to Australian task group in Al Muthanna	C	
04/11/2005	MOD	FA(AP)	DARA/ABRO	R	
04/11/2005	MOD	FA(AP)	Appointment of commander British forces Cyprus	R	
09/11/2005	odpm	SS/MOD	designation of Critical MOD sites within SOCAP	R	
09/11/2005			Defence Industrial Strategy	U	
10/11/2005		PM	From Sir John Rose - F136 Joint Strike Fighter (JSF)	U	
14/11/2005	MOD	CST	Uk military satellite Communications system	R	
14/11/2005	SS/DoT	DPM	the armed forces bill	U	
17/11/2005	FA(AP)	MOD	Commander British Forces Cyprus	R	
17/11/2005	SS/DTI	FCS	Private Military and security Company	U	

Series : **DEFENCE**

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Part : **1**

Date	From	To	Subject	Class	Secret
10/05/2005	MOD	FA(AP)	Appointment of 2nd Sea Lord and Commander-in-Chief Naval Home	R	
13/05/2005	FA(AP)	MOD	Appointment of 2nd Sea Lord and Commander-in-Chief Naval Home	R	
16/05/2005	MOD	FA(AP)	Future aircraft carrier : co operation with French	R	
16/05/2005	DEFRA	SS/MOD	Nirex Site	U	
17/05/2005	MOD		Future Aircraft carrier co operation with French	R	
06/06/2005			Ministerial Committee on Defence and Overseas Policy - Attendance	U	
07/06/2005	SS/MOD	FCS	ex-RN Type 23 Frigates	U	
09/06/2005	SS/MOD		Secretary of State's Bilateral Meeting with US Defense Secretary, D	C	
10/06/2005	MOD	DTI	MISC 5 Uninhabited air vehicle Technologies	U	
20/06/2005	MOD	CH/EX	Qinetiq	R	
20/06/2005	MOD	FA(AP)	Various Senior Military Appointments	R	
24/06/2005	MOD	COS	US UK defence technical relationship	S	1850
27/06/2005	FA(AP)	MOD	Commander-In-Chief Fleet	R	
28/06/2005	MOD	FA(AP)	Angle French Carrier Co operation	R	
30/06/2005	MOD	FA(AP)	Trident Successor Options- Contacts with Industry and US	S	1927
01/07/2005	FA(NS)	COS	Senior Military Appointments	C	
01/07/2005	FA(NS)	COS	Senior Military Appointments	C	
01/07/2005	PUS/MOD	Security Section	COMPLAINT BY A FORMER EMPLOYEE OF THE MOD	S	1949
04/07/2005	FA(NS)	MOD	Various senior Military appointments	R	
05/07/2005	SS/MOD	PM	Ministerial Air Transport	R	
05/07/2005	FCS	PM	Iraq - Constitution	C	
07/07/2005	MOD	FA(AP)	SS/MOD commons debate "defence in the world"	C	
15/07/2005	FA(AP)	PM	Prosecution of Armed Forces Personnel	C	
18/07/2005	SS/MOD	PM	Militray Justice	U	
18/07/2005	FCS	HS	Private Military and Security Companies	U	
21/07/2005	PS/MoD	FA(AP)	Appointment of new First Sea Lord	R	
22/07/2005	PS/MoD	FA(AP)	Anglo French Carrier Cooperation	R	
29/07/2005	FA(AP)	MOD	Appointment of New First Sea Lord	R	
29/07/2005	CST	MS/FCO	BAE Systems	U	
01/08/2005	MOD	FA(NS)	Secretary of State's meeting with French Defence Minister Madame	R	
03/08/2005	MOD	DPM	The armed forces bill proposals for service offences	U	
03/08/2005	MOD	MOD	US/UK information exchange - BAE Systems	R	
09/08/2005		PUS/MOD	From BAE Systems: Joint Strike Fighter - technology transfer	C	
12/08/2005	FA(AP)	MOD	Anglo French Carrier Cooperation	R	
12/09/2005	SS/DTI	SS/MOD	MOD's intentions for Defence Industrial Strategy	C	
14/09/2005	HS	DPM	Protection of Sensitive MOD Sites and Civil Nuclear Sites from Tres	R	
19/09/2005	MOD	FA(NS)	Defence Industrial Issues - Update	R	
21/09/2005	MS/MOD	PD(GN)	Thank you for your letter of 5 September raising the possibility of invi	U	
21/09/2005	MOD	FA(AP)	Appointment of Commander-in-Chief Strike Command and Comman	R	
21/09/2005	SS/MOD	DPM	Protection of sensitive MOD Sites and Civil Nuclear Sites fom Tresp	R	
23/09/2005	LPS	SS/MOD	Armed Forces Bill - Provision for Regular Renewal of Service Law	U	
26/09/2005	FA(AP)	MOD	Commander-in-Chief Strike Command and Commander-in-Chief Per	R	
29/09/2005	ms/dft	PUS/MOD	The Armed Forces Bill	U	
29/09/2005	Cab Off	CHief of Staff	Reply to Castellaneta	R	
30/09/2005	MS/MOD	MS/DTI	Discussion on the future of Thales	R	
30/09/2005	SS/DCA	DPM	Protection of sensitive MOD sites and civil nuclear sites from trespas	U	
03/10/2005	COS		Gianpaolo Scarante - congratulations	U	
04/10/2005	MOD	FA(NS)	UK-French Aircraft Carrier Co-operation	R	
04/10/2005		FA(NS)	UK-French Aircraft Carrier Co-operation	R	
05/10/2005	odpm	PUS/MOD	DA Clearance - The Armed Forces Bill	U	
06/10/2005	LC	LPS	Constitution committee inquiry into the deployment of UK armed forc	U	

UK PRESIDENCY OF THE EU 2005

dti

The Rt Hon Alan Johnson MP
SECRETARY OF STATE
FOR TRADE AND INDUSTRY

17 November 2005

The Rt Hon Jack Straw MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
King Charles Street
London
SW1A 2AH

JS.

cc. GN
BL
AP

Dear Jack

PRIVATE MILITARY AND SECURITY COMPANIES

I am writing in response to your proposal that we should pursue the regulation of UK private military and security companies engaged in overseas markets. Charles Clarke's letter to you of 19 September raises the question of whether other departments including the DTI could take the lead in this matter.

I am sympathetic to your aims on this proposal but DTI is not in a position to be able to offer practical support. As you will recall from our own correspondence on the subject of the outsourcing of DTI's Export Control Organisation (my letter to you of 18 July), we continue to face exceptionally tight resource constraints and consequently would not be able to take on new functions in terms of the regulation of private military and security companies.

I am copying this letter to Charles Clarke, Gordon Brown, John Reid, Geoff Hoon, Hilary Benn, Sir Nigel Sheinwald, Sir Gus O'Donnell and John Hutton.

Yours

ALAN JOHNSON

Department of Trade and Industry

1 Victoria Street
London
SW1H 0ET

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www.dti.gov.uk
dti.enquiries@dti.gsi.gov.uk

File (not on Matrix)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 November 2005

Dear Chris

COMMANDER BRITISH FORCES CYPRUS

Thank you for your letter of 4 November.

The Prime Minister has been informed of the selection of Air Commodore (for Air Vice-Marshal) R H Lacey CBE to relieve Major General P T C Pearson CBE as Commander British Forces (Cyprus) in March 2006. So the way is clear for you to seek the approval of Her Majesty The Queen.

Yours,

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

MRH

FILE: DEFENCE Policy

RESTRICTED - COMMERCIAL

MINISTRY OF DEFENCE
FLOOR 5 ZONE B MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone: 020 7218 9000 (Switchboard)

MINISTER FOR
DEFENCE PROCUREMENT

DMATHIX

FROM: LORD DRAYSON

D/MSU/7/4/8/LN

14 November 2005

Dear Des

Approval for a change in the procurement strategy for the Skynet 5 programme is required now to reduce the MOD's risk exposure and preserve the continued affordability of the project through a better balance of risk. Your approval is sought for up to £3660M at 50% confidence and a 39-month extension to the term of the current contract to implement the necessary changes.

Skynet 5 is the next generation UK Military Satellite Communications System. The contract, awarded to Paradigm Secure Communications (PSC) in October 03, relies on insurance to cover the launch and in-orbit risks associated with the two new satellites needed to provide the required PFI service. Since contract award there has been contraction in the capacity of the satellite insurance market, such that it is now not possible to insure the new satellites for their entire replacement value. Following negotiation with PSC, the preferred approach is to provide a total of three satellites in orbit, to cover in-orbit failure risks, together with the ability to launch up to four satellites, to cover launch failure risks.

The revised three satellite solution includes an extension to the original contract term which corresponds to an extended satellite constellation life as a result of the revised solution. This extension of the service provision allows the annual MOD service charge to remain unaltered, although an increase in annual charge would be necessary if a satellite were lost and a fourth satellite launched. A consequence of this is that the total cost approval for this project will need to be increased to reflect the time extension. It is however worth noting that if a fourth satellite is not required there would be no increase in cost over the original 15 year baseline (ie when compared to the original requirement the deal would be cost neutral). As well as providing improved risk mitigation, this arrangement removes the need for space insurance and hence MOD's obligation to make good current or future insurance pay out shortfalls. Alternatives involve greater risk transfer to the MOD.

The Rt Hon Des Browne MP
Chief Secretary to HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Private Office

INVESTOR IN PEOPLE

Funding and Affordability

The Main Gate approval for Skynet 5 is currently £2920M at 90% confidence. The base case for the new three satellite deal does not require the MOD to find any more funding in the EP/STP period or the present concession timeframe.

In addition to through life value for money considerations, the impact on affordability has been reviewed. Under the current deal, there is a 10% probability of contract termination following multiple satellite losses, which would bring an immediate resource demand on the MOD of around £1Bn. This probability falls to 2.6% under the new deal but the resulting resource liability increases to £1.3Bn. Although both scenarios are unaffordable, the much reduced level of probability associated with the new deal makes this, on balance, the better affordability risk containment approach.

Discussions are underway with the NAO to determine how the cost increase should be handled and how to resolve the potentially damaging MPR06 presentational aspects. The MOD position is that the breaching of the current 90% approval is not the result of poor performance but a more structured approach to risk management, in line with the principles of Smart Acquisition, and in light of external market factors.

I am copying this letter to Alun Michael (DTI), Ian Pearson (FCO), Sir Gus O'Donnell, Geoffrey Norris (No 10) and Sir John Bourne (NAO).

Yours ever

Recycled Paper

Defence

From the Secretary of State

Department for Transport

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3011
Fax: 020 7944 4399
E-Mail: alistair.darling@dft.gsi.gov.uk

Web site: www.dft.gov.uk

Our Ref: AD/022713/05

The Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
LONDON
SW1A 2WH

AP
CEBK
MG.
DT

14 NOV 2005

THE ARMED FORCES BILL

I refer to Don Touhig's letter dated 2 November to you concerning further proposals for the Armed Forces Bill.

I note that none of the further proposals appear to impact upon this Department's interests and I therefore have no comment to make upon them.

I am copying this letter to the Prime Minister, DA and LP colleagues, First Parliamentary Counsel and to Sir Gus O'Donnell.

ALISTAIR DARLING

RESTRICTED - POLICY

DEPUTY PRIME MINISTER

OFFICE OF THE
DEPUTY PRIME MINISTER
26 Whitehall
London
SW1A 2WH

Tel: 020 7944 8623
Fax: 020 7944 8621

AP
CCDT.

The Rt Hon John Reid MP
Secretary of State
Ministry of Defence
Floor 5, Zone D
Main Building
Whitehall
London SW1A 2HB

9 November 2005

DESIGNATION OF CRITICAL MOD SITES WITHIN SOCAP

Your letter of 7 October sought DA Committee clearance to a list of key MOD sites to be designated under the new criminal offence of trespass on sites designated in the interests of national security contained in the Serious Organised Crime and Police Act 2005. This letter confirms policy clearance for your proposals.

As no members of DA Committee responded to your letter you may take it that all colleagues were content.

I wrote to members of DA Committee on 14 October, giving DA Committee clearance to Charles Clarke's proposals for a provision to be included in the Terrorism Bill to amend the Serious Organised Crime and Police Act to enable sensitive MOD sites and civil nuclear sites to be protected against trespassers. This agreement was subject to agreement being reached on the costs falling to DCA as a result of these provisions. Responses to my letter were received from John Reid (20 October) and Alan Johnson (20 October).

John was content for MOD to fund the additional costs incurred by DCA in conducting any additional prosecutions resulting from these additional prosecutions in order to ensure that key MOD sites were protected.

Alan confirmed that his Department was prepared to meet any costs identified as falling to DCA as a consequence of the criminalisation of trespass on civil licensed nuclear sites.

As agreement has now been reached on costs and no members of DA commented, I am happy to give policy clearance to the list of key MOD sites to be designated under the new criminal offence of trespass.

I am copying this letter to the Prime Minister, members of DA Committee and Sir Gus O'Donnell.



JOHN PRESCOTT

K14/11

16.11.05
faxed to Ken Kehoe as delay in hand & getting to him
cc

File

original to Cabinet office

Jeffrey R. Immelt
Chairman & CEO

General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828
USA

T 203-373-3367
F 203-373-2225
Jeffrey.immelt@ge.com

Rolls-Royce

From Sir John Rose, Chief Executive

65 Buckingham Gate,
London, SW1E 6AT England
Tel. +44 (0) 20 7227 9212
Fax. +44 (0) 20 7227 9184

Ken Kehoe CO
Pl can I have a draft reply coordinated with MoD, FCO, ATI, Washington?
Antony Phillipson
cc Greatly Nigel
for draft reply
14/11

10 November 2005

Rt Hon Tony Blair MP
The Prime Minister
10 Downing Street
London SW1A 2AA

Dear Prime Minister

F136 – Joint Strike Fighter (JSF)

We are writing to you today to draw your attention to the grave concerns that are emerging over future US funding for the F136 Interchangeable Engine for the Joint Strike Fighter (JSF). The fact that we are taking the unusual step of writing to you jointly, on behalf of two companies with a very significant stake in the future success of this programme, reflects how seriously we view the current situation.

You will be aware that the US Administration is currently engaged in a far-reaching review of the Department of Defense's budget, with several billion dollars of reductions being sought for 2007. All indications are that the F136 budget line for 2007 may be removed and, if so, it is very likely that the programme will be cancelled in 2006. We believe that such an outcome would deprive both of our companies of the ability to maintain a strong industrial base for future fighter engine design and production and, at the same time, eliminate all of the proven advantages of competition.

Our joint view is that the programme will make a major contribution to US/UK collaboration at all levels. Led by Lockheed Martin, the prime contractor for the JSF programme, the F136 variant is headed by GE and Rolls-Royce, and therefore provides an important opportunity for the US and the UK to work together to develop and demonstrate new defence technologies, building on previous investment by industry and by both Governments.

We believe this partnership truly represents the very best in Trans-Atlantic cooperation and will produce an engine that is second-to-none.

Only through the benefit of full engine competition will the Joint Strike Fighter programme ever realize it's full operational potential and be able to meet the expectations of the nine international partners. In view of the significant industrial, defence and strategic interests which are at stake, we are asking that you raise this concern with President Bush. We believe that the future of the programme will be determined in the next two weeks and we are sure that your intervention would greatly enhance the prospects of securing this important programme for both our nations.

We are copying this joint letter to John Reid, Jack Straw and Alan Johnson and to Robert Stevens (Chairman, Lockheed Martin Corporation).

Jeffrey R Immelt

JEFFREY R. IMMELT

John Rose

SIR JOHN ROSE

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Jeffrey R Immelt

JEFFREY R. IMMELT

John Rose

SIR JOHN ROSE

Rolls-Royce

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11 November 2005

Mr. Jonathan Powell
Chief of Staff
Prime Minister's Office
10 Downing Street
London
SW1A 2AA

From Sir John Rose
CHIEF EXECUTIVE

Dear Jonathan

Joint Strike Fighter (JSF)

You will have seen that together with Jeffrey Immelt of GE, I have written the enclosed joint letter to the Prime Minister asking him to raise with President Bush the very serious concerns we have about future US funding of the F136 Interchangeable Engine for the Joint Strike Fighter.

Although our letter focuses exclusively on the F136, there are a number of wider issues surrounding our participation in the JSF programme. These include the possibility that the US Department of Defence (DoD) may cancel one or more of the JSF variants; and also the uncertainty surrounding the MoD's decision to buy STOVL JSF. I thought it would be helpful if I were to elaborate on these wider issues and their implications for Rolls-Royce, as well as underlining the critical importance we attach to the F136.

F136 Engine
We understand that the F136 engine programme has come under serious risk of cancellation as a result of the current budget reviews being undertaken by the US DoD. John Reid very helpfully raised the issue directly with Donald Rumsfeld when he was in Washington earlier this week, but our assessment is that despite this intervention, the Pentagon will recommend no funding for the F136 engine for the 2007 budget, an outcome which would inevitably result in the programme's immediate cancellation.

The F136 is an outstanding example of successful transatlantic cooperation and collaboration. If the programme were cancelled, this would have significant implications for the UK's defence capability and for future military engine design and production in the UK.

/...

Rolls-Royce

An important feature of the F136 is that it provides the Ministry of Defence with both a choice of engine and an independent technological capability. Without this flexibility, the UK MoD would be dependent on Pratt and Whitney, not only for engine sourcing but also for critical through-life support.

JSF Variants
We also understand that the US DoD is considering cancelling one or more of the JSF variants, including potentially the Carrier Variant. If so, we believe this would seriously weaken this important strategic programme and would limit the UK's defence options.

STOVL
Rolls-Royce's ownership of the STOVL technology presents the UK with a unique opportunity to ensure the success of this programme and is the result of the partnership and investment by both the Company and the MoD over a number of years.

Without this key capability, the UK's ability to influence the future development of the JSF programme at an international level will be threatened and it would be in danger of becoming a more narrowly focused technological platform, less capable of delivering all of MoD's operational requirements.

Cancellation of both the F136 engine and the UK order for 138 STOVL LiftSystems would have a very serious impact on Rolls-Royce where approximately half of the work is incurred in the UK. The total programme represents over 20% of the revenue anticipated for our Bristol facility over a twenty-year period and accounts for a significant proportion of its engineering activity going forward. Around 500 of the 1800 people employed in our Defence Aerospace business in Bristol are engaged on JSF engine and LiftSystem activities. There would also be a serious threat to a further 1000 skilled jobs in the supply chain.

In conclusion, I see this as a hugely significant issue in terms of our future trans-atlantic relations. If our worst fears are realized, this country will be denied the operational independence and strategic benefits of the JSF programme and the UK's defence industrial base will be dealt a significant blow.

Against this background, it is of vital importance to Rolls-Royce that the Prime Minister raises the matter with President Bush and focuses his comments on the most immediate and critical issue which is the threatened cancellation of the F136 engine. The issue of the JSF variants can be addressed at a later stage.

If you would find this helpful, I would, of course, be very happy to brief you more fully in person.

Yours Sincerely,

Christine Cox

P.P. Dictated by Sir John Rose
but signed in his absence

Rolls-Royce

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Yours Sincerely,

Christie Cox

P.P. Dictated by Sir John Rose
but signed in his absence

JPo

9/11/05.

MOD came across to see us to present more detail on this. This is their presentation. Savings here could be significant but there are obvious difficulties. The trick will be to get MOD to be explicit with us about this rather than internalise it. Miles

Defence Industrial Strategy

Presentation to Prime Minister's Office
9 November 05

Nick Toogood
Defence Industrial Strategy Team Leader

RESTRICTED - COMMERCIAL -
MARKET SENSITIVE

DEFENCE INDUSTRIAL STRATEGY

- Introduction: aims, problem, opportunities
- Emerging issues
- Sectoral overview
- Internal change
- Conclusion

RESTRICTED - COMMERCIAL -
MARKET SENSITIVE

AIM OF DIS

- To maximise the future battle-winning capability of the UK's armed forces
- To meet the challenge of globalisation and dominance of a largely closed US market through the application of a long term industrial strategy
- To give a long-term strategic framework, based on an analysis of the UK's defence interests and clear prioritisation of particular capabilities
- To provide industry with better clarity over our future equipment needs and priorities

RESTRICTED - COMMERCIAL -
MARKET SENSITIVE

Military imperative

- Not just 'battle-winning': saving lives every day
- We buy to use, not display
- This is what we ask our people to risk
- Not all of industry get this
- One Point of DIS – to get it there
- Because we do care about this, there are business opportunities
- Challenge to industry to meet it

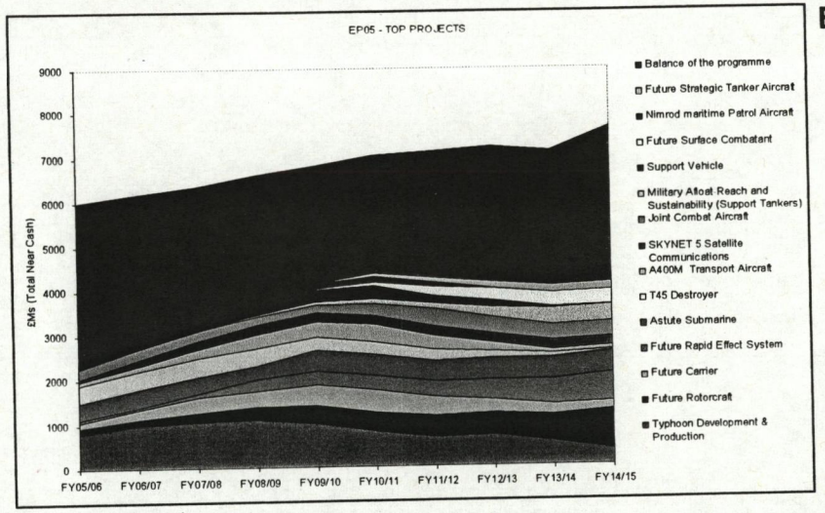


A Royal Marine of 40 Commando heads towards Umm Qasr, after being dropped off from HMS Ark Royal by an RAF Chinook helicopter

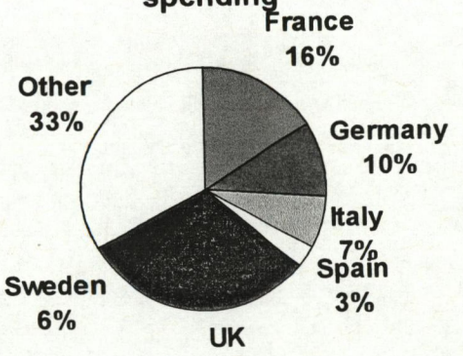
RESTRICTED - COMMERCIAL

The problem

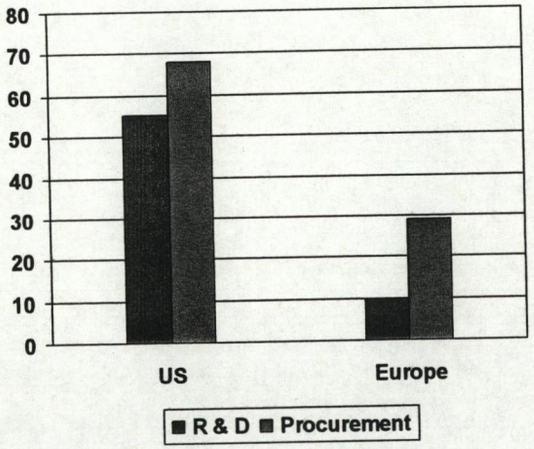
- Major platform cost increasing as % of overall equipment budget
- UK, and European, purchasing power declining as a % of global defence spend



European defence equipment spending



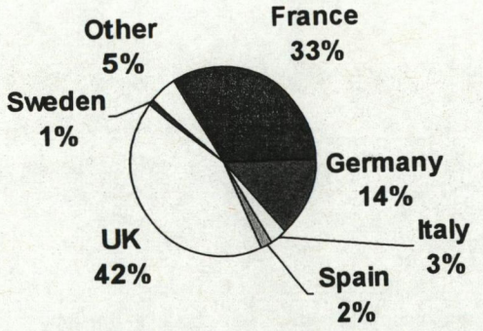
European and US Procurement and research & development spending (2003)



Globalisation of industry, and simple scale of US spending, leading to increasing influence of US market

- We have not yet made progress opening up the US (or other) markets

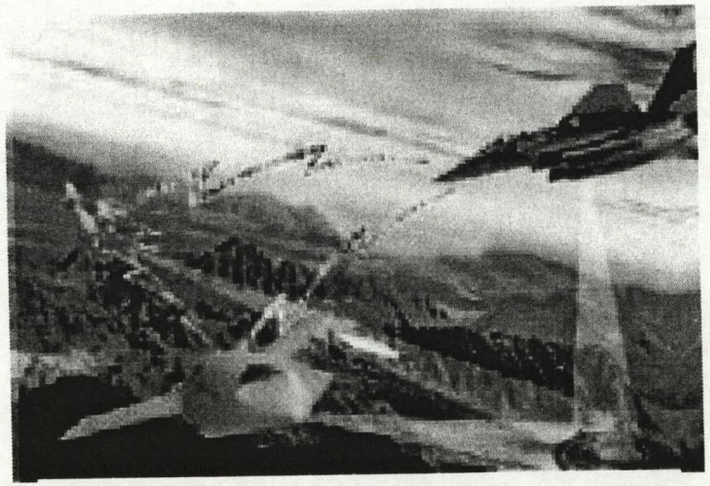
European R & D Spending



RESTRICTED - COMMERCIAL - MARKET SENSITIVE

The problem

'Other (non-US) nations need to prioritise the indigenous capabilities they wish to maintain as they trade off cost and security pressures. If these choices are made explicitly, industry can adjust investment plans appropriately' (PWC)



Keeping close (enough) to US capability is the challenge…

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MARKET SENSITIVE

The opportunity

- To ensure future commanders have the military capability they need, to operate as a force for good in the world
- To improve the attractiveness of the UK defence industry to global capital
- To enhance the UK's international stature
- To widen understanding of the defence challenge in the 21st century

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Why now?

- At basic level, because restructuring under way – we need informed view of our priorities, and how to sustain these

- Need to understand the commercial drivers, and secure (not necessarily 'protect') our interests

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Key objectives of DIS

To:

- develop a strategic view of defence capability requirements going forward by sector;
- communicate that view to industry as clearly as possible, with the caveats about potential change;
- be clear about the principles that will underpin procurement and industrial decisions in the future;
- where there is a mismatch between the level of activity our own plans imply and that required to sustain desired capabilities, investigate how we might with industry address that gap.

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KEY PRINCIPLES OF DIS

- Appropriate Sovereignty
- Maintaining key defence industrial capabilities and skills
- through-life capability management
- Intelligent customers/ Intelligent suppliers: the importance of systems engineering
- Value For Defence
- Change on both sides

What might it look like

Sectors / areas covered:

- Fixed wing (incl UAVs)
- General munitions
- Surface ship and subs
- C4ISTAR
- CT
- Complex weapons
- Manned rotorcraft
- AFV
- CBRN
- Generically important technologies/capabilities (systems engineering, processing, sensors etc)
- Test and evaluation

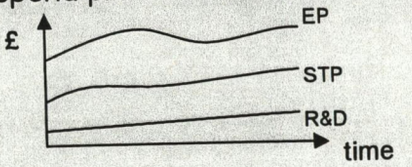
Part A

1. Foreword
2. Introduction
   - Aim, scope, definitions and key principles
3. Defence Context
   - Strategic context, the future of the armed forces, appropriate sovereignty selection criteria
4. UK defence Industry and the impact on the wider economy
   - Wider influencing change factors (e.g. consolidation/restructuring, spin in / out, incremental acquisition)
   - The UK business environment (why the UK is a good place to invest, other government linked initiatives)
   - Overview of industrial developments since SDR (including wider markets, technology transfer, what levers the UK has to shape the marketplace, US/Europe)
5. Ensuring value for money
   - When competition may not be appropriate
   - Innovation, SMEs

a. Strategic overview of the sector in 10 – 20 years

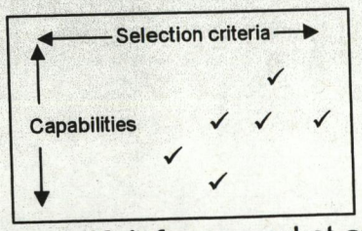
b. Equipment programmes panned for that timeframe

c. Predicted spend profile out to 2015 with explanation of trends



d. Narrative explaining the capabilities required for retention within the UK Industrial base

e. Table summarising the capabilities required within the UK industrial base



f. Overview of the current UK defence market and how it fits against what is required

g. Explanation of how the UK plans to sustain the identified capabilities

Part C Implementation, behavioural change in MOD and industry

Emerging outline

- Generally, viewed as essential to retain onshore the ability to understand, support **and upgrade** systems while in service (general and domain-specific Systems Engineering; some implications for manufacture)
- partnership with existing supplier(s) may be implied, but does not generally mean no competition possible for future equipment in that sector
- Competition still best approach in several areas
- Can show good reasons why conclusions differ by sector

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Emerging outline

- Need to achieve alignment where possible between defence needs and areas of UK competitive advantage
- Focus on capability, not capacity; more knowledge, less low-value manufacturing
- Some exclusions highly sensitive (warship building!)
- In some areas, systems approach to future acquisition, not equipment/platform-centric approach (sensors, combat management, comms & information systems)
- More partnering, but open, non-proprietary, approach needed – partnering is not a soft option
- Implementation has big internal challenges

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Systems engineering

- Common theme:
  - Industry needs to transform to focus on through-life capability management; increase intellectual capacity, reduce manufacturing and lower-value-added capacity
  - This is potentially excellent business; route to lower cost but higher profit, focus for innovation, looking to insert new technology into existing platforms/subsystems
  - No one-size-fits-all model for engagement; depends on complexity of SE and manufacturing task, scope for innovation, and existing industrial landscape (including competitive environment)
  - Some subsystems important in capability terms and for military strategic influence; may have big role to play in upgrades, independent of 'thin prime'

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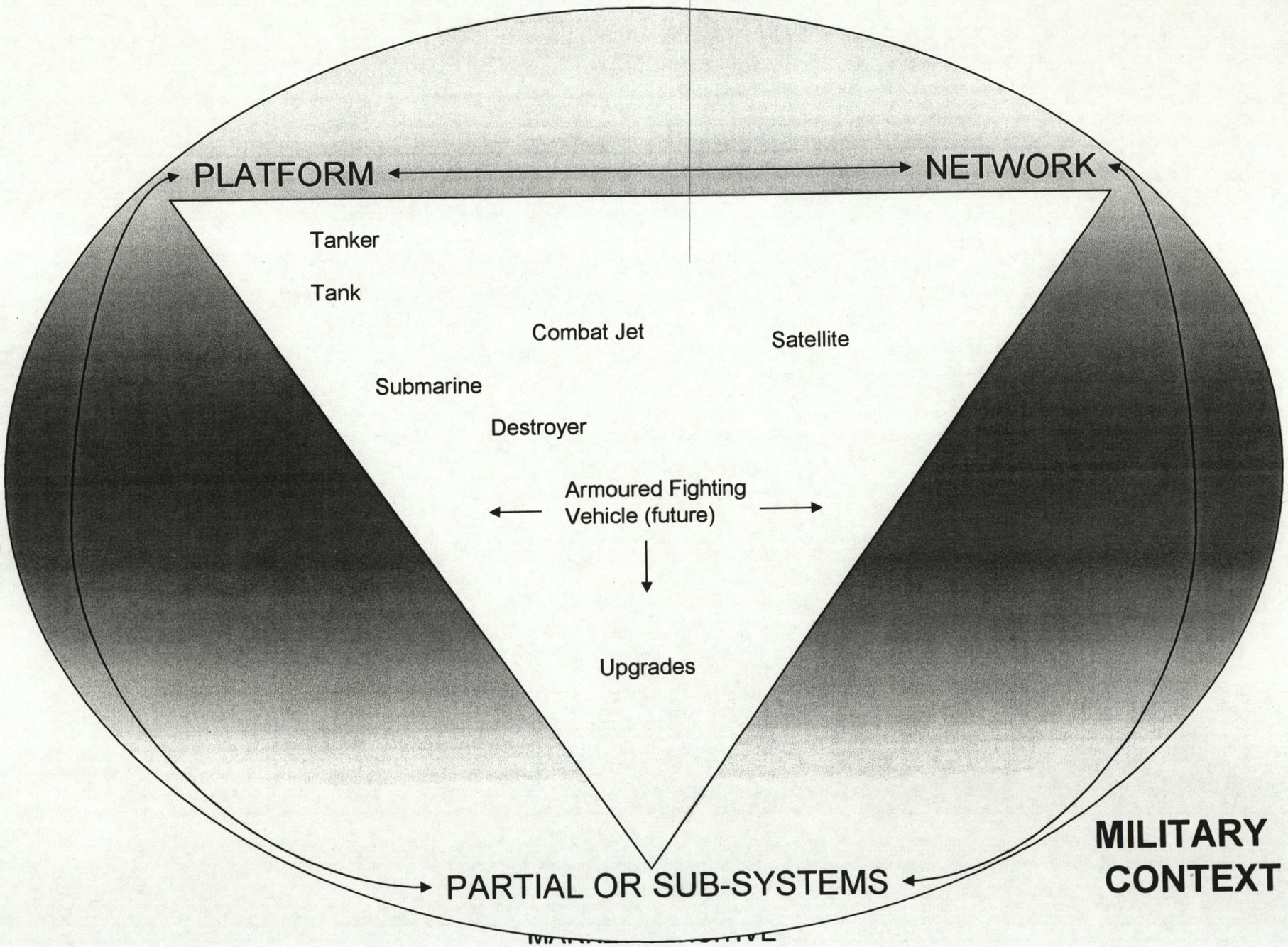
PLATFORM
NETWORK
Tanker
Tank
Combat Jet
Satellite
Submarine
Destroyer
Armoured Fighting Vehicle (future)
Upgrades
PARTIAL OR SUB-SYSTEMS
MILITARY CONTEXT

Aerospace – fixed wing combat a/c

- Need to retain domain-specific systems engineering (SE) + upgrade capability, though no further fast jet in the programme beyond 2013
- Plenty of business for BAES on Typhoon (inc. AY potential) and ability to support/integrate UK weapons on JSF (as part of Team Lockheed)
- In short term, SE capability needs sustaining; route to this (and informing future decisions on force mix) targeted investment in UAVs
- UAVs also meet industry's interests in developing potential comparative advantage/leverage for future cooperation
- But NW footprint will inevitably change as aircraft manufacturing declines, and knowledge/focus of activity shifts forward to main operating bases
- We want cost base reduction; we're prepared to help (Orchid); and are prepared to look at long-term partnering – in return for a radically transformed way of doing business

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Guided Weapons

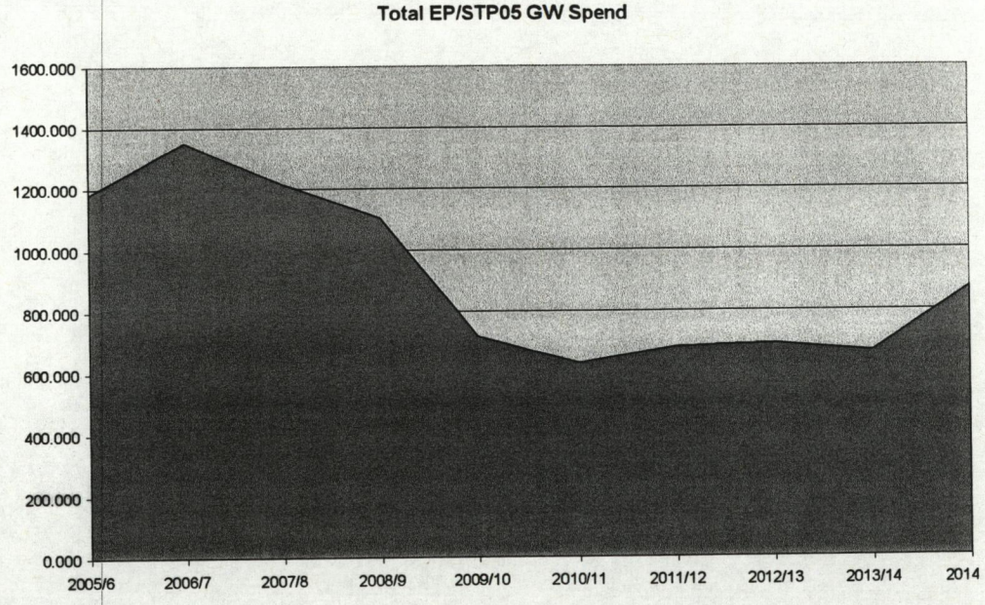
- Will need to intervene if MBDA – sole UK prime – is to maintain an indigenous capability to sustain and upgrade (as well as design and build new) Guided Weapons ; 50% drop in expenditure over 5 years on current orders
- Even if given all future GW orders in the EP (RDEL light), will be difficult to sustain

Choice:

- to let it decline, seeking to sustain somehow current in-service/ordered missiles;
- or challenge industry to consolidate (around MBDA) as preferred supplier for complex weapons (competition or not, case by case, for less complex), and challenge to design affordable cost/performance proposals

- Would need discussion with France
- Would need substantial work on detail
- But believe should signal an 'in principle, subject to satisfactory business case' direction in the DIS

GW (Missile and Torpedo) MOD investment



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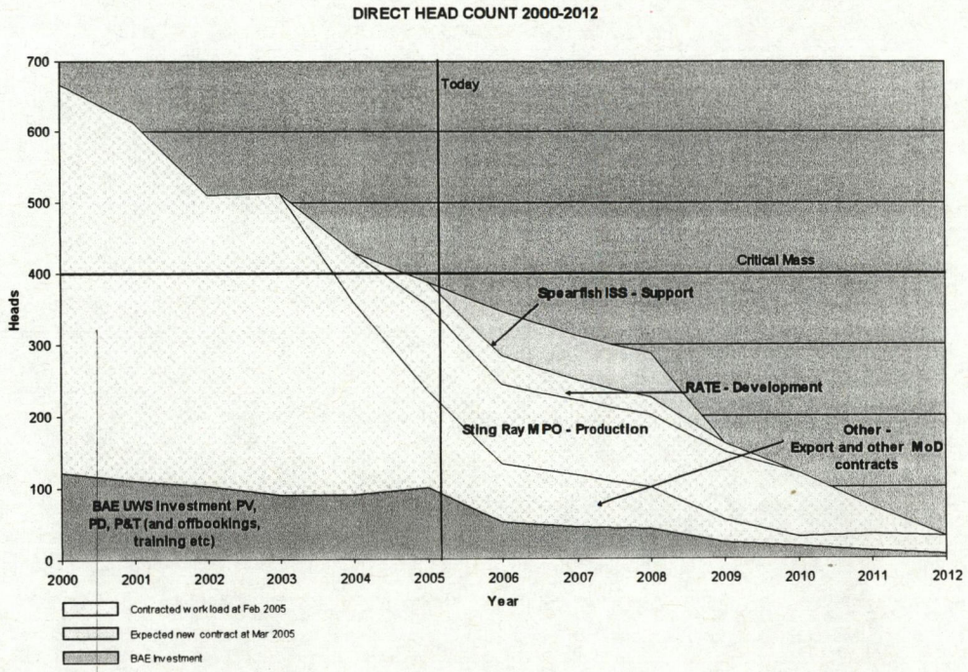
Torpedoes

- Need sovereign capability to manage algorithms and homing heads
- And to support in-service torpedoes
- But no reason not to buy majority of hardware from US or Italy
- BAES Waterlooville could decline but would be residual business in support; algorithms vested in QQ and BAES



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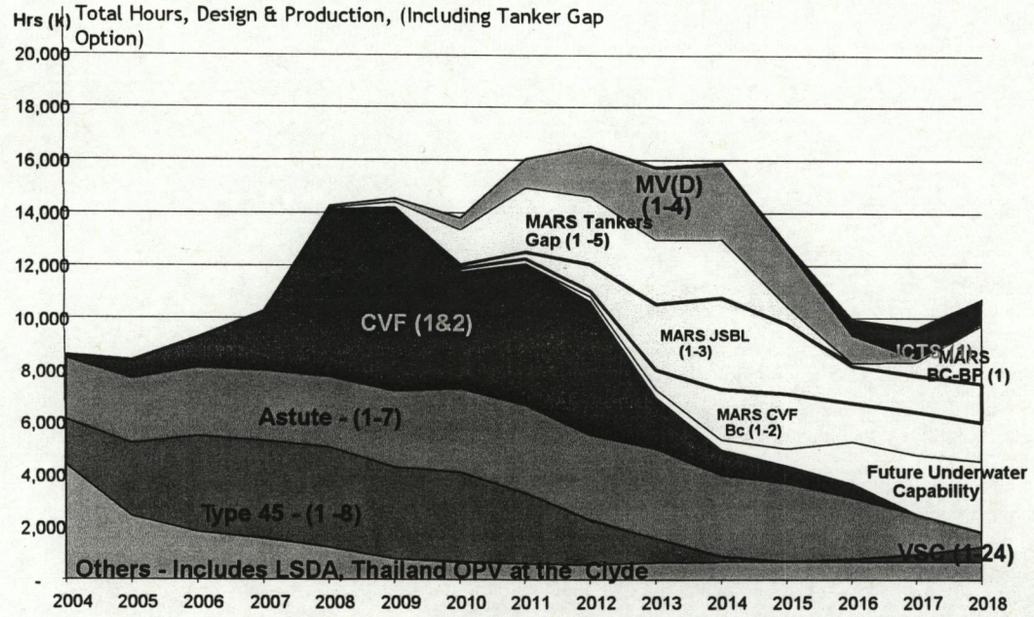
Maritime – surface ships

Indicative Industry Loading for Build



- Retain onshore ability to maintain and support complex RFAs/warships
- Non Fleet Time support can be considered for competition, including offshore
- Ability to develop and integrate combat systems a high priority
- Explicitly recognise the fragility of some 2nd & 3rd Tier suppliers: will work with Primes to prevent loss of key capabilities through the supply chain.

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Maritime – surface ships

- Sector characterised by long-term over-capacity, cost and time overruns
- 'Whilst there is no absolute requirement to build RN surface platforms onshore, a minimum ability to build and integrate complex warships in the UK must be retained'
- Explicitly recommending that construction of platforms can take place offshore, especially for less complex vessels
- And that delivery of CVF elements of construction that cannot be met by current capacity should be considered for offshore production
- Given CVF/Type 45, no-one should be losing their jobs the day after publication – but clear need for long-term consolidation, restructuring and performance improvement – which we need to make explicit to industry and public
- Planned high workload over the next decade opens a window of opportunity to make the transition from current (volume) paradigm to one of long term sustainability
- Can be clear that current structure is inefficient, duplicatory, contains wrong incentives, splits build and support unnaturally, and needs to change (for submarines too)

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Maritime - submarines

- Need to retain all capabilities unique to submarines and Nuclear Steam Raising Plant for design through in-service support and upgrade to decommissioning. Design aspects fragile
- Industry has to rationalise to tackle cost growth; early action is required

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Helicopters

- Need to ensure current fleet's support and upgrade – this is the rationale for partnering with AgustaWestland and the decision to single-source Future Lynx (FLynx)
- Important to encourage offshore providers to develop innovative solutions for future platforms
- AW role in future procurements post FLynx not guaranteed either as prime or as a Design Authority: healthy global market
- each case to be tested on vfm – including implications for sustainment of overall industrial capability
- Some niche capabilities to be sustained – e.g. rotorblades, vibration management, sensors and Defensive Aides Suites

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Armoured Fighting Vehicles

- Through-life management of current fleet very important and needs to improve – and 95% with BAES
- Intent is to develop a series of joint steps with BAES (building on AVSI) to work towards a MoD/BAES Land Systems partnering and business transformation agreement
- MoD not committed to prime/systems integrator for FRES being a UK company – expectation of a broad multinational team
- BAES, if successful in business transformation (or perhaps even not), should be well placed to play a role within this team

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Counter terrorism

- CT Capability area is a growth area. Increasing demand on CT UOR and EP funding; CT Capabilities offer significant export opportunity (eg ECM, TLMS and advanced optics)

- The CT Supplier base is broadly healthy, tempered with a degree of fragility owing to:
  - Increasingly reliant on US industrial supply/technology chain
  - High development costs, low volume production and fluctuating demand

- Some initiatives to improve strategic relationship with key CT suppliers

- Collaboration with OGDs/US is fundamental to satisfying interoperability imperatives and realising effective/efficient burden sharing

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CBRN

- Need to sustain intelligent suppliers, and systems engineering
- Also Chemical Detection and Identification, Biological Agent Detection and Identification, Physical Protection and Warning and Reporting capabilities
- Supply of some raw materials has to be maintained
- Also development and manufacture of medical counter-measures
- Healthy and growing UK supply base
- Competition remains default assumption; open to overseas suppliers case-by-case
- Dstl provides fallback if no solutions in the market
- Potential for partnering (EDS, GD UK, Serco, Smiths) and alliancing to be explored

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General munitions

- Partnering principles agreed
- Bridgewater closure/end to Chorley manufacturing announced 31 October
- Chapter evolving to cover 20% non-BAES general munitions, and explaining the future strategy (MASS), without prejudging business case next year

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C4ISTAR

- Healthy competition, multiple primes
- Main effort should be on setting desired 'system of systems' outcomes, architectures, standards
- No end-to-end sustainment issues except for crypto – must address cross-HMG

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Internal change

A coherent change programme overseen at Ministerial level including both incremental change and more radical individual initiatives,

e.g.

- Improve commercial awareness of acquisition staff at all levels
- Increase resource and commitment to Key Supplier Management initiative
- Investigate programme approaches within a capability area – including through Pathfinder projects
- Improve pull-through of technology
- Increase tempo of procurement
- Create 'operating framework' for how we conduct, govern and control our projects
- Review recruitment, reward and recognition (and tenure) for acquisition staff
- Joint training/interchange with industry

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Summary

- Defence priorities have to come first
- A healthy, sustainable and competitive industry is possible – if it transforms itself to meet Defence needs
- Old paradigm does not meet our, or industry's, best interests
- New, clearer, framework of our plans, priorities, and decision-making process needed to de-risk and inform the decisions industry will take anyway

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MARKET SENSITIVE

From: **Mark Oakes**
Date: **4 October 2005**

NIGEL SHEINWALD

Copy to:
Jonathan Powell
Antony Phillipson
Geoffrey Norris
Margaret Aldred
Ken Kehoe

UK-FRENCH AIRCRAFT CARRIER CO-OPERATION

1. Margaret Aldred chaired a meeting today to take stock of where things stand regarding co-operation with the French on aircraft carriers. MoD, DTI, FCO, HMT and No.10 (Geoffrey Norris) were present. The MoD team was led by Rear Admiral Nigel Guild and John Coles (UK Carrier Integrated Project Team Leader). This note provides background on this issue ahead of your meeting with Maurice Gordault-Montagne tomorrow.

The main objectives of the meeting were: to ascertain from MoD the outcome of recent bi-lateral discussions with the French; to assess what the French political, military and industrial positions on co-operation are; for MoD to set out its assessment of the most likely way forward; and to agree next steps and a handling strategy.

2. You will recall that since July a joint industry team has been examining three main scenarios for co-operation on aircraft carriers. These can be summarised as:

> **Scenario 1:** French entry fee for design access. French carrier modified from UK CVF design. Separate national design and build programmes, but common system procurement where possible.
>
> **Scenario 2:** Shared detailed design/procurement; Common Design and Procurement. Common procurement of systems. Separate build.
>
> **Scenario 3:** Common design, procurement and build. Possibility of common trials and support.

On 26 September the UK and French carrier teams discussed the findings of industry. The key points to emerge from this meeting and other discussions were:

- The French Defence Procurement team has proposed that both sides investigate **Scenario 2.** Scenario 1 was rejected by the French as not politically or economically attractive enough. Scenario 3 was regarded by MoD officials and industry from both sides as too difficult industrially. We don't yet have a clear view of the Elysee position on Scenario 3,

but domestically it would cause us difficulty as BAES has come out strongly against it.

- Industry from both sides is willing to consider Scenario 2.
- UK MoD wants to see a political commitment from France to Scenario 2 before committing resources and tasking industry to exploring its potential.
- John Coles set out a possible model for Scenario 2 involving a joint design and procurement office, which although requiring further work, was seen by both sides as a useful starting point.

3. **Comment**

There are some grounds for cautious optimism. A way forward on co-operation centring on Scenario 2 appears to be emerging. This Scenario does offer (potentially) a high-level of flexibility on the level of co-operation. For example it could conceivably extend to the joint build of certain elements of the ships.

However, making the most of Scenario 2 will require an open mindedness from both industry and the customer. It is not entirely clear whether this will be forthcoming: BAES have so far been neutral on this option. MoD has also not fully considered the areas of joint procurement that could cause us political difficulties, John Coles did not give the impression that he would go out of his way to encourage co-operation, but the other members of the Mod team took this point and we will need to pursue it vigorously.

4. **Lines to Take**

It seems likely that the issue will be raised during the PM's visit to Paris later this week – possibly by Chirac (the French Equipment attaché has indicated this – but has since become less firm on the issue). MoD is preparing draft lines to take for the PM. We will circulate them around departments for comment and provide them by cop tomorrow. A longer update by MoD is also being prepared for the PM's visit.

For your meeting with MGM you should agree that the PM and President should not get into too much detail on this, but should both indicate a desire to maximise cooperation under Scenario 2. For the PM's brief we will want to highlight his need to press the French for a political commitment to pursuing Scenario 2 as their preferred option for co-operation on carriers. This will allow the PM to get on the front foot with Chirac on this issue.

Mark Oakes

MARK OAKES

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SECRETARY OF STATE

MSU 11/4/6K
MSU 11/4/2

4 November 2005

File

Dear Antony,

cc JPo.

DARA/ABRO

The Ministry of Defence has been considering the long-term future of two of our Trading Funds – the Defence Aviation Repair Agency and ABRO (formerly known as the Army Base Repair Organisation). Subject to the outcome of informal discussions between Adam Ingram and the Trade Unions, Mr Ingram intends to make an announcement on Tuesday 08 November. The proposal involves the sale or closure of parts of DARA and the closure of a number of ABRO sites. This will affect around 2000 personnel but will be felt most keenly in Donnington and in St. Athan in Wales.

The introduction of Smart Acquisition and the roll-out of the Defence Logistics Transformation Programme have enabled the MOD to pursue best practice in the procurement and through life support of the equipment needed by the Armed Forces. This introduction of best practice has reduced costs and improved outputs, but has also had an impact on those MOD business units that support equipment in service, particularly DARA and ABRO. The workforce in both Agencies have achieved significant efficiencies already but difficult decisions are now needed to deal with the real and immediate challenges facing DARA and ABRO. Prompt timing is needed to remove the continuing uncertainty for employees.

These decisions come after a exhaustive period of consideration and informal discussion with Trades Unions, with the First Minister for Wales and the Secretary of State for Wales and have been based on thorough analysis.

Antony Phillipson Esq
10 Downing Street

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DARA

DARA provides maintenance, repair and overhaul of much of the Armed Forces current Fixed Wing (principally Fast Jet) and Rotary Wing (Helicopter) aircraft and their systems. It currently employs around 3000 staff in four locations – St Athan in South Wales, Sealand in North Wales, Almondbank in Scotland and Fleetlands in Hampshire.

In November 2004, Mr Ingram announced that support work on Tornado GR4 aircraft would be done at RAF Marham rather than DARA St. Athan. This followed a decision earlier that year to move similar support work on Harrier aircraft from St Athan to RAF Cottesmore. Both these decisions were taken after full investment appraisals that showed these arrangements would deliver better value for money and improve operational effectiveness. Experience to date has fully validated these decisions and has shown that 11 more Harrier aircraft are available to the front line at any one time owing to improved maintenance processes. For the Tornado, this will mean six more aircraft freed up from maintenance and available to the front line at any one time compared with current arrangements. The defence transformation savings will deliver over £2bn in efficiency savings to the MOD over the next five years.

Since then the MOD and DARA have been working closely with the Welsh Assembly Government to identify alternative work for the St Athan site as defence work draws down. This has had some success, with the recent decision by ATC Lasham (a commercial repair and overhaul company) to take space in the Welsh Assembly's Aerospace Park being established at St Athan, creating up to 300 jobs over the next 18 months. Despite officials' best efforts, our analysis is that the remaining RAF fast-jet work at St. Athan will not be viable beyond April 2007. The proposal therefore is for this part of DARA's business to be closed from that date, which would be earlier than previous assumptions that work at St Athan would continue through to 2009.This closure would result in a further 500 direct job losses in South Wales, over and above the 1050 announced to date.

This decision would leave around 350 personnel employed at St Athan, supporting the RAF's VC10 Tanker Fleet. The proposal is to offer this VC10 work-stream for tender as soon as possible to test whether a sale would deliver best value for money for defence.

ABRO

ABRO provides depth repair for much of the Army's fleet of armoured and other military vehicles and fighting equipment. The Defence Secretary announced the first of two phases of rationalisation on 21 July 2005 and the reduction of around 388 posts by March 2006 with an estimated 246 redundancies. This initial phase addressed the need to 'right-size' the organisation following a reduction in available work from the defence market.

A second phase of rationalisation is now considered essential because the MOD's more efficient approach to fleet management has reduced the requirement for depth repair. ABRO therefore needs to remove surplus capacity and become significantly more efficient if it is to be competitive and have a long-term future. The key elements of this second phase of rationalisation, which will be subject to consultation, would involve the closure of ABRO's armoured vehicle facilities at Donnington and its workshops at Warminster and Colchester, along with minor adjustments at other sites. Overall, this would involve total redundancies of up to 1200, of which around 600 would be at Donnington. Further detail is at Annex.

Presentation

Mr Ingram intends to hold informal discussions with the Trade Unions and convene his departmental DARA Ministerial Advisory Board and ABRO Owner's Council before reaching a decision and enter the usual Trade Union consultation process. He will then make an announcement to the House, provisionally planned for 8 November.

I am copying this letter to Simon Morris (Wales Office), Matthew Style (Chief Secretary) and Penny Ciniewicz (Cabinet Secretary).

CONSERVATION

Yours,

J. Forber

IAN FORBER
Private Secretary

ANNEX

IMPACT OF PROPOSALS ON DARA & ABRO

Total ABRO	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**TOTAL**
Headcount	2152	1366	1202	1067	1050	
Maximum Redundancies by Location						
Andover		0	41	36	0	77
Bicester		0	0	0	0	0
Bovington		55	5	38	9	107
Catterick		19	5	5	4	33
Colchester		39	51	5	1	96
Donnington		578	15	32	3	628
Stirling		14	81	5	0	100
Warminster		122	63	0	0	185
Maximum Redundancies		**827**	**261**	**121**	**17**	**1226**

DARA

Business Unit	**Location**	**Activity**	**Proposed Action**	**Maximum Redundancies**	**Numbers Post Redundancy**
Fixed Wing (Fast Jet)	St Athan	Fast Jets	Close April 2007	450	0
Fixed Wing (VC10)	St Athan	VC10	Sale		350
Head Office	St Athan	Corporate	Rationalise	50	60
Rotary Wing	Fleetlands	Rotary Wing	Sale	-	589
Engines	Fleetlands	Engines	Close April 2007	225	0
Components	Almondbank	Components	Sale	-	272
Electronics	Sealand	Electronics	Retain in MOD	-	581

Letter out to POD 17/11

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SECRETARY OF STATE

MSU 10/14/1K

4 November 2005

Done. JCs - pol register
T.S. 04/11/05 POLNOS
ok ?
AZ.

Dear Antony,

APPOINTMENT OF COMMANDER BRITISH FORCES CYPRUS

On the recommendation of the Chief of Defence Staff as the Chairman of the Senior Appointments Committee, the Defence Secretary has agreed to the selection of Air Commodore (for Air Vice-Marshal) R H Lacey CBE to relieve Major General P T C Pearson CBE as Commander British Forces (Cyprus) in Mar 06.

I would be grateful if you could seek the Prime Minister's agreement to this appointment because the incumbent also becomes Administrator of the Sovereign Base Areas of Akrotiri and Dhekalia. A copy of his career brief is attached. Thereafter, we will seek the approval of Her Majesty The Queen.

Yours ever
Chris

J C S BAKER
Private Secretary

Enc:

1. Statement of Service – Air Commodore (for Air Vice-Marshal) R H Lacey CBE.

Antony Phillipson Esq
10 Downing Street

AIR COMMODORE (FOR AIR-VICE-MARSHAL) R H LACEY CBE

Promotion Dates	Air Commodore:	1 January 2001
	Group Captain:	1 July 1996
	Wing Commander:	1 July 1990
Branch/Regt	General Duties (Pilot)	
Age on Appointment	52.3 (11 Dec 53)	
Academic Qualifications	MA (Electrical Sciences)	
Major Military/ Studies	2000	Royal College of Defence
Career Courses	1989	RAF Advanced Staff Course
Current Appointment	Sep 05	United Kingdom National Military Representative, SHAPE

Previous Appointments

Dec 03	Commander British Forces, South Atlantic Islands (SAI)
Dec 00	Director NATO, Ministry of Defence
Dec 97	Officer Commanding, RAF Benson
Sep 96	Assistant Director of Defence Commitments (Joint Warfare/Exercises), Ministry of Defence
Oct 94	Staff Officer – Air Plans (NATO), Ministry of Defence

File

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SECRETARY OF STATE

MSU 4/5/2K
MSU 3/1/4/2

2 November 2005

DQ
cc AP
DQ.

Dear Robert,

Thank you for your letter of 7 October in which you sought my confirmation that the UK would continue with our current level of support to the Australian task group in Al Muthanna.

We are very keen to maintain the level of support already provided to you in Al Muthanna and MND(SE). We are, however, currently exploring ways and means of resourcing a niche capability that is necessary for a Field Human Intelligence (HUMINT) Team to continue to operate in Al Muthanna. Lieutenant General Fry will be writing to Lieutenant General Gillespie in more detail about the matter. I am sure that a pragmatic way forward can be reached that is acceptable to us both.

Once the conditions are right for transfer of security responsibility to the Iraqis our plans envisage establishing Battle Group sized response forces, primarily based in Al Basra province, that have the capability for rapid deployment elsewhere in MND(SE) should the security situation demand it. I am hopeful that our partners in MND(SE) will be in a position to support this requirement.

Senator The Honourable Robert Hill
Minister of Defence
Australia

CONFIDENTIAL

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A small Australian contribution to a response force, perhaps comprising around 150 personnel, would be extremely welcome. I am aware that this would require a change in the scope of the current mandate for Australian forces, but I would be grateful if you would consider whether an Australian contribution along these lines might be feasible.

When conditions are right it would also be extremely helpful if you were prepared to relocate at least one of your very successful Military Training Teams, currently based in Al Muthanna, to work in Al Basra. The three Australian teams in Al Muthanna have made a valuable contribution and would like to see their expertise in developing the Iraqi Security Forces continue beyond May next year. Obviously the details will need to be worked out and I suggest that discussions take place on military channels.

I would like to take this opportunity to thank you once again for the invaluable contribution that Australian forces are making in Iraq and I very much hope that this continues as transition goes ahead.

Finally, on Afghanistan, I expect that you have heard that there is a delay to the Dutch decision-making process as to whether Dutch armed forces will deploy to Oruzgan province as part of ISAF expansion. We have been working hard to determine exactly what the Dutch position is but one of their requirements for a deployment to Oruzgan is that another nation goes alongside them. I know that Australia is their preferred partner and subject to overcoming the difficulties the Dutch are experiencing, I look forward to British forces working closely with Australian allies next year.

Kind regards

John

JOHN REID

CONFIDENTIAL

File

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Telephone: 020 7218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE FOR DEFENCE
AND MINISTER FOR VETERANS

DON TOUHIG MP

FAXED

Kentelice cc LAS

Anything in here we should comment on / be concerned about?

D/MSU/2/3/5/LN

The Rt Hon John Prescott MP
Office of the Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

AP
cc. NS
MO
ICEK

2 November 2005

Dear John,

ARMED FORCES BILL: FINAL POLICY PROPOSALS

As foreshadowed in my letter of 6 August, I am now seeking your agreement to the final set of policy proposals that we intend to include in the Armed Forces Bill either before it is introduced at the end of November or by amendment during the Bill's committee stage. The proposals cover the handling of redress of grievance complaints; the jurisdiction of the court martial; an extension to the jurisdiction of the Criminal Cases Review Commission; changes to the Reserve Forces Act 1996; changes to the basis of service pay, allowances and pensions provisions; amendments to the primary legislation governing the operation of the Probation Service; and changes to provisions in the Armed Forces Act 1991 governing the protection of children. To permit some of these proposals to be included in the Bill on introduction, your clearance is exceptionally sought by Friday 11 November.

I mentioned in my letter of 6 August that there were some outstanding proposals for the Bill on which we had yet to take a final view. I am sorry for the delay in writing to you again for the necessary clearance. The policy changes for which approval is now being sought are set out in the following paragraphs.

Redress of grievance

Policy agreement is sought for the Armed Forces Bill to include proposals governing redress of grievance. This is the internal statutory complaints mechanism for members of the armed forces, who do not generally have recourse to employment tribunals. The Bill will make a number of changes aimed at streamlining the process for handling redress of grievance complaints and thus reduce delay. This reduction will be achieved by reducing the number of levels at which a complaint can be considered before being considered by the relevant board of the Defence Council or

Private Office
INVESTOR IN PEOPLE

by a panel set up under the Bill where the decision is delegated to it by the Defence Council. The provisions will also limit the access that officers have to the Queen to cases that the Defence Council does not delegate to a panel: the intention is that in future only matters that have a direct bearing on an officer's employment may be referred to the Sovereign. The provisions for redress are expected, as now in the Service Discipline Acts, to require only limited provision on the face of the Bill.

Jurisdiction of the court martial

Policy agreement is also sought to use the forthcoming legislation to extend the jurisdiction of the court martial to a small number of serious offences over which it does not currently have jurisdiction when they are committed in the United Kingdom. I have already corresponded with Peter Goldsmith about this in considerable detail, and he has confirmed his agreement to the proposal.

The court martial already has jurisdiction over the same serious criminal offences when they are committed outside the United Kingdom, even where there is concurrent civilian jurisdiction; and in the United Kingdom its jurisdiction already extends to offences that carry a maximum of life imprisonment, such as wounding and causing grievous bodily harm with intent; to nearly all sexual offences; and to offences analogous to manslaughter, such as causing death by dangerous driving.

In the vast majority of cases, it is unlikely that serious offences committed in the United Kingdom would be tried by the court martial. In any case of concurrent jurisdiction, under the protocols that exist at present between the service and civilian police forces, the civilian authorities would have primacy. This means that the civilian police forces decide which jurisdiction should apply, using agreed criteria. Broadly speaking, almost any offence involving civilians in the United Kingdom will be dealt with by the civilian authorities.

Criminal Cases Review Commission

It is proposed to extend the jurisdiction of the Criminal Cases Review Commission to alleged miscarriages of justice from service courts. As this measure would originally have involved amendment to Home Office legislation, it had been hoped to achieve it through a Home Office bill. But given the recent pressure in the media to make the change, and the absence of a suitable Home Office vehicle, it is proposed to amend the Armed Forces Bill after introduction. The extended jurisdiction should cover both civil criminal offences and service disciplinary offences. This change will give service personnel the same right to have their cases considered as extends at present to civilians in England and Wales.

Recycled Paper

Reserve Forces Act 1996

It is proposed that the Armed Forces Bill should be used to amend the Reserve Forces Act 1996 to allow voluntary extensions to mobilised service by reservists, reflecting the significant use of reserves we are making on operational deployments to Afghanistan and Iraq. There is also a requirement to improve the procedures set out in Schedule 2 of the Reserve Forces Act 1996 which deals with the arrest of reservists who fail to report to a mobilisation centre when required to do so under a call-out notice.

The schedule sets out the procedures for handling reservists who are suspected of being absentees or deserters because they have failed without reasonable excuse to report at the time and place stated in a call-out notice. Under those procedures any person who is arrested is to be brought before a magistrates' court. The magistrates then examine the case against the person arrested and, if they find that there is a case to answer, they are required to hand the accused over to the service authorities. The accused may be tried either in the magistrates' court or by court martial. The procedures set out in the schedule at present are not easy to follow and suffer from a number of defects. Also the schedule is out of keeping with the Criminal Justice Act 2003 which reduces the role of examining magistrates. There is therefore a need to amend the schedule, and the Armed Forces Bill provides an opportunity to do this.

Pay, allowances and pensions

It is proposed that the Armed Forces Bill should be used to introduce a provision to harmonise the basis of service pay and allowances to support the new single pay administration. The statutory basis for service pay, allowances and pensions is at present contained in the Naval and Marine Pay and Pensions Act 1865, the Pensions and Yeomanry Pay Act 1884, the Air Force (Constitution) Act 1917 and the Reserve Forces Act 1996. Army pay and allowances, and the pensions of Army officers, are not subject to statutory provisions. Promulgation is achieved by Royal Warrant, Orders in Council and Queen's Regulations, depending on the service. This means that changes in policy and rates have to be given effect separately for each of the services. Following these separate processes is laborious and time-consuming.

As part of the substantial work that has been done to define the pay, charges and allowances policy to be delivered with the introduction of the Joint Personnel Agency, we wish to have a single system of pay and allowances that applies to all three services. This will then be included in tri-service manuals, which will replace the present single service arrangements. It is important that these manuals should be brought into effect by a single process so they are easier to manage and capable of speedier amendment, thus ensuring service personnel have access to up to date

Recycled Paper

information. Agreement is therefore sought for the Armed Forces Bill to be used to amend the present legal regime governing the provision of service pay and allowances so as to provide for the tri-service manuals to be made, varied and revoked by Royal Warrant. Without this amendment, the new tri-service manuals and all subsequent changes to them could only be given legal status by the single services following their separate procedures.

It is well established that all matters relating to the administration and disposition of the armed forces are left to the prerogative. These include pay, allowances and pensions. There are sound constitutional, political and practical reasons for this position. We do not propose to change this: we simply intend to harmonise their provision.

Given that the provision of service pensions under the Armed Forces Pension Scheme 1975 follows identical single service procedures to those described above, a single procedure in this area also seems to be needed. My Department is therefore considering as a matter of urgency whether the basis for service pensions should be similarly harmonised.

Provision of Probation Services

Hampshire Probation Services are contracted at present to provide a service to the Army both in the United Kingdom and Germany. Recently it has been brought to light that the primary legislation governing the Probation Service limits its work to the support of the Home Department. Given that we, the Home Office and the Probation Service wish to continue with the present arrangement, it was agreed that there was a need to change the primary legislation to put our relationship with the Probation Service on a proper statutory basis. The Management of Offenders Bill was identified as the most appropriate way of achieving this. Following the loss of that Bill due to the general election, we understand that it will not now be possible to include the change in the Sentencing and Youth Justice Bill, where many of the provisions from the earlier Bill now reside.

In view of this, and given that the Probation Service is currently operating *ultra vires* in providing a contracted service to the Ministry of Defence and that the service is in the interests of the armed forces, the Home Office has asked whether it would be possible to use the Armed Forces Bill as the legislative vehicle to make this change.

It remains a possibility that the Management of Offenders Bill will be reintroduced in this session. If it is, then this will be used as the vehicle for the change to be made. Agreement is therefore sought as a contingency, and subject to the provision being within the scope of the legislation, for the Armed Forces Bill to be used to amend the primary legislation governing the operation of the Probation Service.

Recycled Paper

Child protection

Finally, it is proposed to amend the Armed Forces Bill to make some small changes to the provisions of the Armed Forces Act 1991 to give judicial officers the authority to grant Child Administration Orders and Emergency Protection Orders, while also retaining the current authority of the commanding officer but for a shorter period; and to give the service police statutory powers to remove children to a place of safety in line with those powers available to civilian constables in England and Wales.

I would be grateful for your agreement to these proposals.

I am sending a copy of this letter to the Prime Minister; to members of the Domestic Affairs and Legislative Programme Committees; and to Sir Gus O'Donnell.

Yours ever

Don

DON TOUHIG MP

Recycled Paper

RESTRICTED - POLICY

DEPUTY PRIME MINISTER

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DEPUTY PRIME MINISTER
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AP & DT

The Rt Hon Lord Falconer of Thoroton
Secretary of State and Lord Chancellor
Department for Constitutional Affairs
Selbourne House
54 Victoria Street
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SW1E 6QW

31 October 2005

LORDS CONSTITUTION COMMITTEE INQUIRY INTO THE ROYAL PREROGATIVE AND THE DEPLOYMENT OF THE ARMED FORCES

Your letter to me of 11 October sought policy clearance for the text of a government memorandum on the use of the royal prerogative to deploy the armed forces as part of the House of Lords Constitution Committee inquiry into that subject. This letter confirms policy clearance subject to taking account of the points below.

Responses to your letter were received from Jack Straw (Foreign Secretary, 31 October), John Reid (Defence, 25 October) and Peter Goldsmith (Attorney General, 25 October).

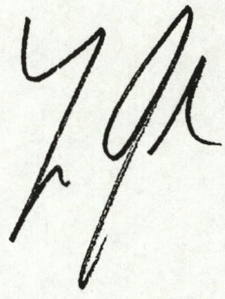
Jack suggested several drafting changes which I understand you have included in the revised text. He also suggested that the FCO would be best placed principally to assist the Committee with further detail on the arrangements in other countries for parliamentary involvement in the deployment of armed forces.

John was content. His officials will continue to work closely with yours as the Lords inquiry develops.

Peter was content. Given his responsibility for the provision of legal advice on the use of force, Peter's officials would provide briefing should the Committee require oral evidence.

All other colleagues were content. You therefore have DA clearance subject to taking account of the above points.

I am copying this letter to the Prime Minister, DA colleagues and Sir Gus O'Donnell.



JOHN PRESCOTT

Defence
PGT

SECRETARY OF STATE

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MSU 2/3/2C

25 October 2005

File
AP
cc KEG

LORDS CONSTITUTION COMMITTEE INQUIRY INTO THE ROYAL PREROGATIVE AND THE DEPLOYMENT OF THE ARMED FORCES

Thank you for your letter dated 11 October and sight of the proposed memorandum of evidence for the House of Lords Constitution Committee.

I am content to support the memorandum as drafted. My officials will continue to work closely with the DCA as the Lords Inquiry develops.

I am copying this letter to the Prime Minister, Members of DA Committee and Sir Gus O'Donnell.

Kind regards

John

JOHN REID

The Rt Hon Lord Falconer of Thoroton QC
Secretary of State for Constitutional Affairs and Lord Chancellor

RESTRICTED

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 October 2005

Dear Peter,

INTERNATIONAL POLICING

The Foreign Secretary wrote to the Home Secretary on 17 October on the above. We agree with the recommendations made by the Strategic Task Force and the proposals for taking them forward. We would be grateful if the Cabinet Office could be included in the proposed Steering Committee which will monitor the UK's continuing contribution to this issue.

I am copying this to Margaret Aldred (CO), Chris Baker (MoD), Moazzam Malik (DfID), Alan Whysall (NIO) and Scott McPherson (DfT).

Yours,

ANTONY PHILLIPSON

Peter Hayes
FCO

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UK EYES ONLY

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MINISTER FOR
DEFENCE PROCUREMENT

GW Defence
CCAP Policy Pt 1
NS-OWN
Cc

FROM: LORD DRAYSON

D/MSU/7/3/8

25 October 2005

Dear Alan

FUTURE OF THALES – POTENTIAL RESTRUCTURING

I am writing to seek your agreement, and that of MISC5 colleagues, to establishing a common cross government position on the potential restructuring of Thales and to propose lines to take for use with the companies involved and with French, German, Italian, and to a lesser extent Spanish Government Ministers and officials.

You will recall that in the autumn of 2004 that the UK government was alerted to the potential restructuring of Thales. The UK and German governments lobbied the French government strongly against making any moves in this direction without further consultation. Talk of restructuring subsequently petered out. Over the summer, media speculation about the potential acquisition of Thales by EADS re-emerged. In September, following discussions with the new Co-CEOs, Tom Enders (EADS Germany) and Noel Forgeard (EADS France), it became clear that EADS were looking again at the possibility of acquiring Thales. More recent information, not necessarily authoritative, from the head of EADS UK, suggests this may be defensive (i.e. in case someone else makes a bid for Thales).

Rt Hon Alan Johnson MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

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Private Office

INVESTOR IN PEOPLE

Scenarios facing Thales

There are four potential scenarios facing Thales:

Status Quo

This is the preferred option. We should continue to maintain the line that we are pleased with the way Thales has managed its business in the UK and have no desire for it to change.

A merger with Finmeccanica

There were some exploratory discussions at the beginning of the year between Thales and Finmeccanica. Our understanding of the proposal was that Finmeccanica would be a minority shareholder (20%) in the merged company, which raised concerns for the Italian government. Current information suggests that the likelihood of a merger with Finmeccanica has cooled. In addition, it is likely that Finmeccanica would prefer to consolidate recent acquisitions such as AgustaWestland and BAE SYSTEMS Avionics business before undertaking any more. However, should any other party move for Thales, Finmeccanica would reconsider its position. We should maintain a neutral line in relation to a proposed Thales/Finmeccanica merger.

A merger with Alcatel

This has appeared recently to be the option recently favoured by the Thales CEO Dennis Ranque. However, information about the nature of such a merger is scarce. Alcatel's main business is civil communications, so it is most likely to want to acquire the civil parts of Thales business, and divest some or all of the Defence business. If this happened, the consequence for UK defence might not be dissimilar from acquisition of Thales by EADS.

Acquisition of Thales by EADS

Of the four scenarios, this appears to be the most likely with both EADS Co-CEOs confirming their interest (although Thales have also confirmed their dislike of this option).

Recycled Paper

In the past, UK concerns regarding an acquisition of Thales by EADS have focused around French government control and influence over the new enterprise, and EADS' corporatist management style. These concerns remain and the UK government would wish to receive assurances on the following issues in advance of any merger, and should such a merger begin to look inevitable we would wish to highlight them in discussions with EADS and Thales officials, and French, German and Spanish government ministers and officials:

- A reduced French government shareholding within the new enterprise;
- The French government to redeem its special share and any right of veto in the new enterprise;
- The defence enterprise in the UK to be organised and managed modelled on the current Thales UK model, with a strong UK CEO who should also sit on the EADS Board;
- A UK Non-Executive Director sitting on the EADS Board; and
- Assurances from EADS that Airbus capabilities in the UK will not be run down or moved offshore, guaranteed UK decision making rights in Airbus might also be desirable.

However, these lines should only be deployed in relation to a specific proposal to merge EADS and Thales. In the meantime we should continue to maintain the line that we are pleased with the way Thales has managed its business in the UK and have no desire for it to change.

I am copying this letter to MISC5 colleagues, to Sir Gus O'Donnell, Sir Nigel Sheinwald, Geoffrey Norris, Margaret Aldred, and to Sir John Holmes (Paris), Sir Peter Torry (Berlin) and Sir Ivor Roberts (Rome).

Yours ever

Paul

Recycled Paper

SECRETARY OF STATE

MSU 3/1/1/3C

20 October 2005

PS/CDP

Copy to;

PS/Minister(AF)	CVF-TL
PS/Minister(DP)	PDRN-NAWE1
PS/PUS	DPA-DAWS
PS/Policy Director	DPIO-DEU&UN
DCE	DPIO-ADEU
DGISP	SIT RC3
CS-SRO	No 10 – Sir Nigel Sheinwald, Kim Darroch

FRENCH DEFENCE MINISTER PHONE CALL TO SOFS 20 OCTOBER: UK-FRANCE CO-OPERATION ON FUTURE CARRIER

1. The Secretary of State was grateful for the briefing from you and Stephen Shelley for this afternoon's call with Madame Alliot-Marie.

CVF Co-operation

2. MAM said that in France there was a very strong political push behind this. France thought that the UK CVF design was a basis for co-operation for PA2. But we were encountering resistance both from industry and from our own Administrations. We needed to overrule this. She felt that Ministers were being diverted towards a minimum co-operation option, not general co-operation as France desired. Both on a political level and to achieve the financial and economic benefits they desired, general co-operation was necessary. She wanted closer integration of British and French programmes so as to define what we have in common. The way to achieve this goal was for the UK and France to conduct the detailed design phase studies in common. Both the French industry team and the French administrative team should be integrated into the UK teams and work in common with them. If John Reid agreed to this we could suggest that CDP and Lureau come up with suitable proposals by the end of November.

3. John Reid recalled that when they had met in July he and MAM had decided to energise industry to examine co-operative proposals. The Prime Minister and President Chirac had since had positive talks. As MAM knew the NADs had kept up the pressure on industry since then. John Reid was pleased that industry had identified the possibility of a higher level of cooperation than had appeared likely in July. Nevertheless we needed to be practical about co-

operation which would have to demonstrate financial savings and not incur delays to either nation's programme. He was grateful to hear that France liked our design and was willing to participate in our programme and pay an entry fee. But both nations needed to be perfectly clear that this really was feasible. We needed to see the more detailed proposals from industry which our National Armament Directors would present in mid-December. We for our part were pushing UK industry to be as positive as possible on this. UK and French project teams were fully engaged and were having a further meeting on 21 October. He was keen to ensure that the options were as thoroughly explored as possible and that industry was given every encouragement to do this. He believed that the indications were marginally more optimistic than in July. He would put Madame Alliot-Marie's proposals to CDP and revert to her soon with a response.

4. MAM responded that she was glad that we shared the same view. She wanted to recommend an end-November report from NADs because she understood the UK had a desire to launch the detailed study phase in December, but as far as France were concerned there were no time constraints and she would be prepared to wait until mid-December for this report.

FSTA

5. John Reid recalled the presentation to the EDA Steering Board on 13 October and reiterated that UK negotiations with the Air Tanker consortium were at a critical point. The UK was working hard to reach agreement on a satisfactory PFI deal. Once the contract was signed the way ahead on the form of co-operation with France would be much clearer. We envisaged France dealing directly with Air Tanker, facilitated by appropriate Government-to-Government arrangements or co-operation on joint training and logistic support. It was the UK's wish to facilitate French progress on this project, MAM responded that common training was a very good idea. Since France was going to purchase these aircraft it made sense to do so in close co-operation with the UK and France was very interested in the financial arrangements. She foresaw the capacity to co-operate with the UK programme at various levels.

Taking Forward ESDP

6. John Reid said that looking beyond the period of the UK Presidency he wanted to find ways to take forward ESDP with France. There was much common ground to develop. There might be some outcomes from the Hampton Court conference with which to work. We could raise the joint Ministerial profile by co-authoring a press article in the New Year. He also wished to meet Madame Alliot-Marie early in 2006 in London to discuss practical details for taking ESDP forward, including spending on research and technology, Africa and disaster relief. He hoped Madame Alliot-Marie would be able to come to London. MAM responded that she agreed that such discussions would be a good idea. We needed a programme of actions to show how much work we were able to do together. The predominant military and financial contributions of France and the UK to European defence meant

that the two nations must play a leading role both for the nations of the EU and to demonstrate ESDP to those outside Europe.

Comment

7. A businesslike call, although MAM is clearly approaching CVF co-operation from a political rather than a practical perspective. It is not clear whether MAM entirely accepts the notion of France joining the UK programme for CVF, or whether the French model for the involvement of industry is compatible with our own approach. Please can PS/CDP provide by **COP Monday 31 October** a draft letter for the Secretary of State to send to MAM responding to the ideas in this conversation, also taking account of the outcome of 21 October meeting. The Secretary of State will wish to reassure MAM that the scrutiny and oversight arrangements for the current phase of industry-to-industry discussions are robust so that should it be necessary to conclude that the Option 2 level of co-operation is not feasible, the UK Government can be absolutely confident in demonstrating that the disadvantages outweigh the advantages, as opposed to simply relying on industry telling us that that is their view of the position.

8. Please can PDRN begin to think about the most advantageous dates for a meeting with Madame Alliot-Marie in London early in 2006.

J C S Baker

J C S BAKER
PS/Secretary of State
MB FLOOR 5, ZONE D, 82111 MB
DII: SOFS-Private Office
SOFS-Private Office-S

Defence : strategy

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cc: AP
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SECRETARY OF STATE

MSU 2/3/1C

19 October 2005

Dear Glynne,

ARMED FORCES (PARLIAMENTARY APPROVAL FOR PARTICIPATION IN ARMED CONFLICT) BILL

With apologies, because we appear not to have received your letter (GL162) dated 2 August 2005, I am writing to confirm that John Reid is in agreement with the proposal to oppose Clare Short's Armed Forces (Parliamentary Approval for Participation in Armed Conflict) Private Member's Bill at Second Reading.

I am copying this letter to the Private Secretaries to the Prime Minister, Members of LP Committee, Jack Straw and Sir Gus O'Donnell.

Yours ever
Chris

J C S BAKER
Private Secretary

Glynne Jones Esq
PS/Leader of the House of Commons

RESTRICTED - POLICY

Defence.

UK PRESIDENCY OF THE EU 2005

dti

20 October 2005

The Rt Hon Alan Johnson MP
SECRETARY OF STATE
FOR TRADE AND INDUSTRY

The Rt Hon John Prescott MP
Deputy Prime Minister and
First Secretary of State
26 Whitehall
LONDON
SW1A 2WH

AP.
CC/GW
BK
DT.

Dear John

PROTECTION OF SENSITIVE MOD SITES AND CIVIL NUCLEAR SITES FROM TRESPASSERS

I have seen a copy of Charlie Falconer's letter of 30 September to you, responding to the proposals set out in Charles Clarke's letter of 14 September. I have also seen your letter to Charles of 14 October.

I am of course strongly supportive of the measures that are now contained in clause 12 of the Terrorism Bill, and I can confirm that my Department is prepared to meet any costs identified as falling to the Department for Constitutional Affairs resulting from any additional prosecutions as a consequence of the criminalisation of trespass on civil licensed nuclear sites.

I am copying this letter to the Prime Minister, members of the Domestic Affairs Committee, the Scottish First Minister and to Sir Gus O'Donnell.

Yours

Alan

ALAN JOHNSON

Department of Trade and Industry

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SECRETARY OF STATE

MSU 2/3/1C

19 October 2005

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ARMED FORCES (PARLIAMENTARY APPROVAL FOR PARTICIPATION IN ARMED CONFLICT) BILL

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Yours ever

Chris

J C S BAKER
Private Secretary

Glynne Jones Esq
PS/Leader of the House of Commons

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SECRETARY OF STATE

MSU 7/3/5C

17 October 2005

Dear Mark,

MINISTERIAL MEETING WITH BAE SYSTEMS

Thank you for your sight of your letter of 14 October to Ian Gibbons confirming that the meeting of Ministers with BAE SYSTEMS on 31 October will take place at 2pm in The Study in No 10. The Defence Secretary has asked me to let you know that he will be accompanied by Lord Drayson (Minister for Defence Procurement) at this and all future meetings of this forum.

I am copying this letter to Ian Gibbons (DTI), Geoffrey Adams (FCO), Guy Davison (HMT), Geoffrey Norris (No 10), Margaret Aldred and Ken Kehoe (Cabinet Office) and to Conrad Bailey (PS/Lord Drayson).

Yours sincerely,

J. Forber

IAN FORBER
Private Secretary

Mark Oakes Esq
Overseas & Defence Secretariat
Cabinet Office
70 Whitehall
London
SW1A 2AS

COMMERCIAL-IN-CONFIDENCE

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cc GN
ER

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Alan Johnson MP
Secretary of State
Department for Trade and Industry
1 Victoria Street
LONDON SW1H 0ET

12 October 2005

DEFENCE INDUSTRIAL STRATEGY

As you will know, unfortunately, I am unable to attend today's meeting of MISC 5. However, I would like to let you have my views on the potential Defence Industrial Strategy, so that those who are able to attend are aware of them. I have also read Alun Michael's letter of 9th October.

2. I strongly support the development of a Defence Industrial Strategy (DIS). As we all know, industry will be making significant decisions in the coming months and years about where to invest in its future. To ensure that industry's decisions are aligned with the future needs of Ministry of Defence as its customer, it is important to get greater clarity on the UK's future military needs, the industrial capabilities or technologies required to meet those needs and the extent to which our national security will require UK sovereignty over those industrial capabilities.

3. The strategy should also focus on ensuring that industry can make good profits where it delivers strong project performance and create incentives for both industry and the MOD as its customer, to focus on continuously bearing down on the cost base and on improving productivity.

4. Both industry and MOD will benefit from companies being more efficient going forwards and MOD will also ensure it retains the capabilities it needs to meet future military requirements. I would strongly support such a strategy being published before Christmas.

CHIEF SECRETARY TO THE TREASURY

5. I also strongly agree with MoD that the DIS should make absolutely clear that the needs of the Armed Forces must take priority over the needs of UK industry; but I also firmly believe that it is precisely this kind of clarity which best serves the long-term needs of industry as well, by enabling them to focus their investment and realise efficiency gains.

6. I also agree with Alun that the UK should not be buying unnecessary defence equipment simply to support UK industry. To do so would result in our Forces being inappropriately equipped, or poor value for money for the taxpayer. I also recognise that R&T is a strategically important area, and we welcome opportunities to enhance innovation in the defence sector where this is in line with defence needs.

7. There is no doubt that difficult decisions will need to be taken to meet this aim and as Alun pointed out, the conclusions reached may contain difficult messages for individual companies and their suppliers. However, I believe that the risks associated with not developing the DIS now, along the lines suggested by John Reid and Paul Drayson, are outweighed by the benefits of doing so.

8. In the long term, I would hope that the DIS is seen by all parties as having played a positive part in allowing the UK defence industry access to the information, which is likely to influence its size and shape for the future.

9. I am copying this letter to the Prime Minister, members of MISC5 and Sir Gus O'Donnell.

DES BROWNE

02072108597

dca
Department for Constitutional Affairs
Justice, rights and democracy

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Secretary of State and Lord Chancellor
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PT
DA EG
DQ

Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

11th October 2005

Dear John,

Lords Constitution Committee Inquiry into the Royal Prerogative and the Deployment of the Armed Forces

I am writing to DA colleagues to seek clearance for the text of a government memorandum on the use of the royal prerogative to deploy the armed forces as part of the House of Lords Constitution Committee inquiry into this subject.

I am responsible for general policy on the royal prerogative and so am providing a general memorandum on the use of the prerogative to deploy the armed forces. This does not engage with some of the technical difficulties that might arise in putting this power within a statutory framework, but defends the prerogative for providing a pragmatic and flexible tool enabling a government to balance operational security with its accountability to Parliament. It reiterates the policy stated in recent Parliamentary written answers and in the Government's response to the Public Administration Committee's inquiry into the royal prerogative. I will present the agreed text to the Committee in the form of a letter.

The Committee has asked for evidence to be submitted by the end of October. I would therefore be grateful for responses by 26th October. I am copying this letter to the Prime Minister, members of DA Committee and Sir Gus O'Donnell.

Yours, Charlie

LORD FALCONER OF THOROTON

INVESTOR IN PEOPLE

02072108597

DRAFT MEMORANDUM OF EVIDENCE TO THE HOUSE OF LORDS CONSTITUTION COMMITTEE ON THE USE OF THE ROYAL PREROGATIVE TO DEPLOY THE ARMED FORCES

1. I am responsible within government for general policy on the Royal prerogative. Since the armed forces are deployed using prerogative powers this memorandum reiterates government policy on the continuing use of the prerogative in this area.

2. As the Government acknowledged in its response to the House of Commons Public Administration Committee's inquiry into the Royal Prerogative in 2004, in many respects the prerogative is a historical anachronism. It is the residue of royal or executive authority that is not founded on statute law. It is open to Parliament to abolish or restrict a prerogative power by statute. In home affairs the prerogative has to a great extent been constrained by statute. In foreign affairs it includes the power to conduct diplomacy, to conclude treaties, to declare war and to make peace, to recognise foreign states and governments and to annex and cede territory.

3. As the Government noted in its response to the Public Administration Committee's inquiry, its view is that the pragmatic approach remains the most effective. As the Committee itself acknowledged, the prerogative is a well-established part of the constitution and allows ministers to react quickly in complex and dangerous situations.

4. While a government could deploy the armed forces on operations overseas under prerogative powers without the support of Parliament, such an eventuality is theoretical rather than real. The Government recognises the desire for parliamentary scrutiny of decisions to deploy the armed forces and has shown that it will provide opportunities for debate when this arises. A formal requirement to consult Parliament, in particular one enshrined in legislation, is therefore unnecessary and could prejudice the Government's ability to take swift action to defend our national security where the circumstances so require. It might also lead to difficulties in defining what constituted a deployment requiring a government to consult Parliament.

5. In the United Kingdom, ministers are accountable to Parliament for all their actions. Therefore Parliament is always in a position to hold the executive to account in any way it sees fit. In many other countries, however, the separation of powers between executive and legislature in other countries means that war powers resolutions based on a statutory or legislative framework represent the only way in which the legislature can control the power of the executive to deploy the armed forces.

6. In the case of the recent military action against Iraq a debate and a vote on a substantive motion were held before the commencement of hostilities. On other occasions different ways of ascertaining the views

02072108597

of Parliament were used. The Government remains of the view that a pragmatic approach, allowing the circumstances of Parliamentary scrutiny to reflect the circumstances of an armed conflict continues to be the most effective approach. Different circumstances will lead to different ways of consulting Parliament being used depending on a number of factors, such as whether Parliament is sitting at the time a deployment is necessary and the scale and nature of any deployment. For instance practice has varied at the start of deployments:

- Debates and statements were held prior to military action in Afghanistan;
- Debates were held after military operations in Kosovo had started;
- Parliament voted after the armed forces were already in action during the first Gulf Conflict;
- Parliament was recalled and a debate was held on a motion to adjourn following the Argentine invasion of the Falkland Islands.

7. The Government is also mindful of the need to keep Parliament informed of developments during the course of a conflict through statements and adjournment debates as necessary.

8. However, the Government must balance its obligations to Parliament with the operational security and effectiveness of any deployment. The provision of information to Parliament on any deployment will always be constrained by the need not to reveal sensitive information on the way the armed forces propose to act or the extent and nature of intelligence on the forces they will act against. Furthermore, deployments are made into unpredictable, uncertain and fast-moving situations. It is therefore impossible to predict what action it might be necessary to take in changing military circumstances. As a result, any restriction on a deployment might adversely affect the ability of the armed forces to act effectively and flexibly, either in meeting their objectives or in defending themselves. It might also introduce an unpredictable and damaging level of uncertainty as to the legality of the actions of our armed forces on the ground. The Government therefore takes the view that providing a statutory framework for the deployment of the armed forces would limit their ability to operate swiftly to defend our national security and could risk the safety of our armed personnel.

9. The way in which Parliament expresses its views on any action by government is, ultimately, a matter for Parliament. However, previous use of prerogative powers to deploy the armed forces and the way in which Parliament was consulted show the advantages of a flexible approach allowed by the appropriate use of prerogative powers.

Defence

UK PRESIDENCY OF THE EU 2005

dti

The Rt Hon Alun Michael MP
MINISTER FOR INDUSTRY AND THE REGIONS

GN
CCBK
AP.

The Baron Drayson of Kensington
Minister for Defence Procurement
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

9th October 2005.

Dear Paul,

DEFENCE INDUSTRIAL STRATEGY: DTI COMMENTS

I thought it would be helpful to write in advance of MISC5 on Wednesday to make a couple of fundamental points about Defence Industrial Strategy ('DIS'). This also constitutes a response to John Reid's letter to Alan Johnson of the 26 September – Alan has asked me to reply because of his role as chair of MISC5.

There is much that we welcome in Defence Industrial Strategy, for example, the greater transparency in discussing future requirements and a commitment to share future defence equipment priorities and possibly budgets. This will not be easy for you as customer, I know, but I appreciate this has a fair wind in MoD.

You rightly point out that a requirement under Defence Industrial Policy ('DIP') is the need to provide the Armed Forces with the equipment that they require on time and at best value for money for the taxpayer. However, DIP also stresses that we seek to maximise the economic benefit to the UK from our defence expenditure, a competitive defence industry, and develop a high-value technologically-skilled industrial base. Therefore an apparent disregard of wider industrial benefits in identifying important UK defence industrial capabilities seems, at best, flawed and could be interpreted as a step backwards by HMG from its Defence Industrial Policy. The DIS will have no credibility with industry if we regress from DIP.

Department of Trade and Industry

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There is a need for realism here. I accept that ensuring that the capability requirements of the Armed Forces can be met, now and in the future, must be the primary arbiter of your spend on defence equipment. Nor am I suggesting that UK buys unnecessary defence equipment simply to support UK industry. But there has to be an element of balance with UK's legitimate industrial interests if we are to present DIS as a basis for change and moving forward on defence industrial issues.

It is not my intention to de-rail your DIS process, indeed, I believe that such a strategy by the Christmas timescale you have set yourselves is potentially of tremendous benefit to industry as it will allow them to plan in the light of the best available information. Can I therefore propose that my officials work with yours and industry to identify those industrial capabilities that are of the highest value in the UK. We will then need to compare our findings with your list derived from operation demand to identify differences.

A list of important UK defence industrial capabilities will be helpful but cannot be comprehensive and in any case will change with time. Therefore, we will also need to agree that a pragmatic approach will be necessary as we evaluate future major procurement and R&T decisions where wider industrial benefits can be given due weighting.

On a separate point, we are shortly going to be considering the outcome of the sector studies, some of which are likely to contain difficult messages for individual companies, supply chain and regional economies. We will need to agree a process to get on top of what are likely to be some uncomfortable regional industrial and political implications.

I am copying this letter to MISC5 colleagues, Geoffrey Norris and Nigel Sheinwald at No.10, Gus O'Donnell at the Cabinet Office, David King at the OST and Lord Sainsbury.

I have found our recent meetings helpful and encouraging, and Ministers & officials at DTI want to help you achieve your objectives but I must stress that this letter reflects wider industry concerns as well as a Departmental view.

ALUN MICHAEL

Yours ever

Alun

THE NATIONAL ARCHIVES

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02072108597

dca
Department for Constitutional Affairs
Justice, rights and democracy

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The Rt Hon Baroness Amos
House of Lords
London
SW1A 0PW

MATRIX

6th October 2005

Dear Baroness Amos,

CONSTITUTION COMMITTEE INQUIRY INTO THE DEPLOYMENT OF UK ARMED FORCES

The Lords Constitution Committee announced in August that it would be carrying out an inquiry into the use of the Royal Prerogative by government to deploy the UK's armed forces. Officials from a number of departments have already been liaising about how the Government might respond to the Committee's call for evidence and who might be best placed to do so.

I am responsible for the general policy on the Royal Prerogative and on that basis I am content to supply the Committee with a short written memorandum setting out general policy on its use. The memorandum would also set out the agreed line on the use of the Prerogative to authorise the deployment of troops set out in the response to the Public Administration Select Committee in 2004. However, I do not speak for the Government on the use of the Prerogative in individual areas or in particular instances. It will therefore be a matter for colleagues to respond if the Committee decide to inquire into detailed issues stemming from the use of the Prerogative in oral evidence sessions or through further written memoranda.

I am copying this letter to the Prime Minister, Jack Straw, John Reid, Geoff Hoon, Bruce Grocott and Sir Gus O'Donnell.

Yours ever

pp **LORD FALCONER OF THOROTON**
(Approved by the Secretary of State and signed in his absence by the Principal Private Secretary)

INVESTOR IN PEOPLE

DEPUTY PRIME MINISTER

defence

OFFICE OF THE
DEPUTY PRIME MINISTER
26 Whitehall
London
SW1A 2WH

Tel: 020 7944 8623
Fax: 020 7944 8621

Don Touhig MP
Parliamentary Under Secretary of State
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

AP
cc Reg
DT

5 October 2005

DA CLEARANCE: THE ARMED FORCES BILL

You wrote to me on 28 July, 3 August and 6 August copied to DA colleagues, seeking clearance to proceed with various proposals to include in the Armed Forces Bill. I am writing to give you clearance to proceed as you proposed.

On 28 July, you explained that you were seeking agreement to proposals to modernise and harmonise the sentencing powers available to Service courts at the trial of Service personnel and civilians who are subject to Service law. On 3 August, you sought agreement to proposals to modernise various Service offences. On 6 August, you explained that you were seeking agreement to a range of minor and miscellaneous proposals on armed forces discipline that will help the Service criminal justice system replicate the civil system as far as possible. You also sought agreement for proposals to continue the application of Service law to certain civilians overseas.

Replies were received from Tony McNulty (Home Office, 26 August) in response to your letter of 6 August and from Stephen Ladyman (Department for Transport, 29 September) in response to all three letters. Both Tony and Stephen were content with the proposals.

No other member of DA Committee replied and you may therefore take it that you have agreement to proceed as you proposed.

I am copying this letter to the Prime Minister, members of DA and LP Committee, First Parliamentary Councel and Sir Gus O'Donnell.

JOHN PRESCOTT

Defence pol.

please do cc's via MTX. Ta.

RESTRICTED

From: **Mark Oakes**
Date: **4 October 2005**

NIGEL SHEINWALD

Copy to:
Jonathan Powell - own copy
Antony Phillipson
Geoffrey Norris
Margaret Aldred
Ken Kehoe

UK-FRENCH AIRCRAFT CARRIER CO-OPERATION

1. Margaret Aldred chaired a meeting today to take stock of where things stand regarding co-operation with the French on aircraft carriers. MoD, DTI, FCO, HMT and No.10 (Geoffrey Norris) were present. The MoD team was led by Rear Admiral Nigel Guild and John Coles (UK Carrier Integrated Project Team Leader). This note provides background on this issue ahead of your meeting with Maurice Gordault-Montagne tomorrow.

The main objectives of the meeting were: to ascertain from MoD the outcome of recent bi-lateral discussions with the French; to assess what the French political, military and industrial positions on co-operation are; for MoD to set out its assessment of the most likely way forward; and to agree next steps and a handling strategy.

2. You will recall that since July a joint industry team has been examining three main scenarios for co-operation on aircraft carriers. These can be summarised as:

> **Scenario 1:** French entry fee for design access. French carrier modified from UK CVF design. Separate national design and build programmes, but common system procurement where possible.
>
> **Scenario 2:** Shared detailed design/procurement; Common Design and Procurement. Common procurement of systems. Separate build.
>
> **Scenario 3:** Common design, procurement and build. Possibility of common trials and support.

On 26 September the UK and French carrier teams discussed the findings of industry. The key points to emerge from this meeting and other discussions were:

- The French Defence Procurement team has proposed that both sides investigate **Scenario 2.** Scenario 1 was rejected by the French as not politically or economically attractive enough. Scenario 3 was regarded by MoD officials and industry from both sides as too difficult industrially. We don't yet have a clear view of the Elysee position on Scenario 3,

but domestically it would cause us difficulty as BAES has come out strongly against it.

- Industry from both sides is willing to consider Scenario 2.
- UK MoD wants to see a political commitment from France to Scenario 2 before committing resources and tasking industry to exploring its potential.
- John Coles set out a possible model for Scenario 2 involving a joint design and procurement office, which although requiring further work, was seen by both sides as a useful starting point.

3. **Comment**

There are some grounds for cautious optimism. A way forward on co-operation centring on Scenario 2 appears to be emerging. This Scenario does offer (potentially) a high-level of flexibility on the level of co-operation. For example it could conceivably extend to the joint build of certain elements of the ships.

However, making the most of Scenario 2 will require an open mindedness from both industry and the customer. It is not entirely clear whether this will be forthcoming: BAES have so far been neutral on this option. MoD has also not fully considered the areas of joint procurement that could cause us political difficulties, John Coles did not give the impression that he would go out of his way to encourage co-operation, but the other members of the Mod team took this point and we will need to pursue it vigorously.

4. **Lines to Take**

It seems likely that the issue will be raised during the PM's visit to Paris later this week – possibly by Chirac (the French Equipment attaché has indicated this – but has since become less firm on the issue). MoD is preparing draft lines to take for the PM. We will circulate them around departments for comment and provide them by cop tomorrow. A longer update by MoD is also being prepared for the PM's visit.

For your meeting with MGM you should agree that the PM and President should not get into too much detail on this, but should both indicate a desire to maximise cooperation under Scenario 2. For the PM's brief we will want to highlight his need to press the French for a political commitment to pursuing Scenario 2 as their preferred option for co-operation on carriers. This will allow the PM to get on the front foot with Chirac on this issue.

Mark Oakes

MARK OAKES

Free
cc HMA
FCO
MoD

10 DOWNING STREET
LONDON SW1A 2AA

From the Prime Minister's Chief of Staff

3 October 2005

Dear Giampaolo,

Congratulations on your new post.

You will recall that on 25 July the Prime Minister and I had an extremely useful discussion on UK-Italian defence matters with Gianni and Pierfrancesco Guarguaglini. Following the meeting Gianni wrote to me on 29 July setting out some proposals for how we could deepen our co-operation. I am writing by means of reply – I must apologise for the delay.

Firstly, I wish to reiterate our acknowledgement and appreciation of the significance of Finmeccanica's investment in the UK, and I believe there would be value in maintaining a regular dialogue.

Gianni raised the issue of our support for Finmeccanica's export strategy. The government will strive to support the company's defence export efforts, along with other defence companies with investments in the UK, whenever and wherever we can. In particular, the MoD's Defence Export Services Organisation (DESO) will have an important role to play in this.

With regard to European defence, as Gianni pointed out, developments in the European defence market will be of significance to both our defence sectors, and closer cooperation between our two governments in this area would be sensible. This work should be taken forward via the regular contacts between our Defence Ministers.

Gianni enquired about Finmeccanica becoming members of the Aerospace Leadership Council, National Defence Industries Council and Defence Industries Council. The ALC and NDIC are joint government/industry bodies, covering aerospace and defence respectively, the DIC is the senior representative body of the defence industry in the UK. I agree that Finmeccanica's important presence

in the UK should be reflected in its involvement in the relevant UK defence industrial groups, however membership is not being linked specifically to representing a company or sector. I have been advised that the most appropriate way for Finmecannica to become involved in these groups would be through its active membership of a Trade Association. I understand that Finmeccanica met Dr Sally Howes, Director General of the SBAC, on 28 September to discuss its membership of the SBAC and feel that this would be a good first step towards joining the other groups. Dr Sally Howes is also the Secretary to the DIC and a member of both the NDIC and ALC.

Yours ever

Jonathan Powell

JONATHAN POWELL

Mr Gianpaolo Scarante

02072108597

Defence : Policy

dca

Department for Constitutional Affairs
Justice, rights and democracy

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The Rt Hon John Prescott, MP
Deputy Prime Minister
26 Whitehall
London SW1A 2WH

AP
CCNS
Keep
30th September 2005 DT.

Dear John,

PROTECTION OF SENSITIVE MOD SITES AND CIVIL NUCLEAR SITES FROM TRESPASSERS

I have seen a copy of the Home Secretary's letter dated 14 September to you seeking DA clearance to include in the Terrorism Bill an amendment to the Serious Organised Crime and Police Act 2005 (SOCAP) offence of criminal trespass to enable the protection of DTI licensed civil nuclear sites and to make an announcement at the second reading of the Terrorism Bill of his intention to widen slightly the intended use of the SOCAP offence to cover certain critical military establishments.

In the current climate, the proposed amendments appear sensible to me. There may however be some cost implications for my Department resulting from this as a result of the additional designations which may mean additional prosecutions. I fully support these proposals but subject to an assurance from the Home Secretary that any costs identified, including legal aid and court costs, as falling to this Department will be met in full by the Home Office.

A copy of this letter goes to the Prime Minister, members of the Domestic Affairs Committee, the Scottish First Minister and to Sir Gus O'Donnell.

Yours,

LORD FALCONER OF THOROTON

INVESTOR IN PEOPLE

MATRIX

Top: [redacted] GN
& JP
NS
AP

RESTRICTED –COMMERCIAL AND MARKET SENSITIVE

MINISTRY OF DEFENCE
FLOOR 5 ZONE B MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone: 020 7218 9000 (Switchboard)

MINISTER FOR
DEFENCE PROCUREMENT

FROM: LORD DRAYSON

D/MSU 7/3/8

September 2005

Dear Minister,

I am writing to invite you to a discussion on the future of Thales, important suppliers to the Ministry of Defence, which has been the subject of much speculation over the last year or so and are now rumoured to be linked with a possible takeover by EADS.

The meeting will be at 1715 on 4 October, in my office at the MOD. I envisage that the discussion will focus around:

- Do we have a common understanding of the likely future of Thales, and any possible takeover by EADS?
- How do we (HMG) feel about any such action - Does this raise any competition (anti-trust) issues, or National Security issues?
- Are there civil issues related to Airbus, as well as any issues relating to the military equipment programme?
- What would we (HMG) see as the most desirable outcome from any merger/takeover action?
- How should we (HMG) proceed?

I have included fact-sheets from the MOD's Supplier Relations Group, which include basic details about Thales UK and EADS, which you may find useful.

I look forward to our discussions on the 4th October. I am copying this letter to Des Browne and Geoffrey Norris who have also been invited, as well as to Margaret Aldred (Cabinet Office).

(Approved by the Minister and signed in his absence)

ASSISTANT PRIVATE SECRETARY

Rt Hon Alun Michael MP
Minister for Industry and the Regions
Department of Trade and Industry

Private Office

RESTRICTED – COMMERCIAL AND MARKET SENSITIVE

INVESTOR IN PEOPLE

SKP 30/9/05

ronautic Defence & Space (EADS) - FACTSHEET

September 2005

SRG
Supplier Relations Group
Supplier Relations Group

Company Overview
The largest Aerospace and Defence Company in Europe and the second largest in the world (behind Boeing). In terms of market share EADS (through Airbus) is the 2nd largest commercial aircraft manufacturer. EADS has an integrated headquarters with Strategy, Marketing and Legal Affairs in Paris and Finance, Procurement and Communications functions based in Munich. EADS organises its business into five operating divisions:

- **Airbus**: commercial jet aircraft (+100 seats) and aircraft for military use. Accounts for some 63% of revenues.
- **Military Transport Aircraft (MTA)**: MTA and special mission aircraft (inc Future Strategic Tanker Aircraft, A400M). 4% of revenues.
- **Eurocopter**: civil and military helicopters, regional turboprop aircraft and light commercial aircraft; and civil and military aircraft conversion. 12% of revenues.
- **Defence and Security Systems (incorporating DS UK Ltd – (formerly Cogent)**: missiles systems; defence electronics: military aircraft: Defence & communication systems: and services. 16% of revenues.
- **Space**: satellites, orbital infrastructures and launchers; and provision of launch services (Space Transportation, Astrium and Space services). 5% of revenues.

EADS owns: Eurocopter (100%), Airbus Integrated Company (80%), Airbus Military transport aircraft aircraft (76.1%) Astrium (100%), DS UK Ltd (100%), Dornier (57.5%), MBDA (37.5%), Dassault Aviation (46%), Eurofighter (46%), Arianespace (27%)

MOD Business:
Although EADS has direct contracts with MOD, its business with MOD tends to be through collaborative programmes and joint ventures.

- Airbus Military SL - A400M (€16bn order), via **OCCAR** – Organisation Conjointe de Cooperation en Matiere d'Armement- organisation for joint Armaments Co-operation.
- DS UK Ltd (Cogent) – Cormorant, Bowman (sub), Skynet 5 (sub), Synergy (sub), Defence Information Infrastructure (Future) - DII(F) (ATLAS Consortium £2.3bn Increment 1 contract awarded 22 March 05 (sub Contractor).
- Eurofighter. Typhoon GmbH – (620 aircraft, UK(232), Germany(180) Italy(121) & Spain (87), via **NETMA** – NATO Eurofighter and Tornado Management Agency.
- Typhoon Tranche 2 - €4.3bn contract (Dec 04) for 236 aircraft UK(89), Germany(68), Spain(33) & Italy(46). Export 18 aircraft to Austria, via **NETMA**.
- Paradigm and Astrium – Skynet 5 PFI

Future Business

- Nimrod Airborne Early Warning (AEW) upgrade
- Future Strategic Tanker Aircraft (FSTA) consortium, as preferred bidder, PFI. Contract value £13bn
- Strategic unmanned Air vehicles (Experiment) – SUAV(E)
- Ground Base Air Defence (GBAD) Air Defence Command & Control System
- The company is beginning to position itself to undertake complex system integration activities in the UK, for example Dabbinett, through DS UK Ltd & Astrium.
- Combined Aerial Target Services (CATS). Target anti-air trials.

Key Data:
EADS Chief Executive Officers (CEO):
(French and German)
Noel Forgeard & Tom Enders

EADS COO
Hans Peter Ring Finance Director)
Jean Paul Gut (Head International Sales, Marketing &Strategy)

EADS Chief Executive Officers by Divisions:
Airbus – Gustav Humbert
MTA - Francisco Fernández Sáinz
Eurocopter – Fabrice Breiger
EADS Space – François Auque,
Defence & Security Systems – Stefan Zoller
North America – Ralph D Crosby Jr.

EADS UK:
Chief Executive Officer UK:
Robin Southwell

Ownership:
Public (incl EADS employees) 34.08%
DaimlerChrysler 30.2%
French State 15.1%
Lagardiere Group 15.1%
Spanish State 5.52%

Financials:
Source:EADS NV accounts

euroM	2004	2003
Sales	31,761	30,133
Operating Profit/ (EBITDA)	2,444	1,543
Employees	110,662	109135
UK Employees	14,045	13,125

76% of sales are civil & 24% defence.
UK MoD Business 2004: £660m

- 8% of total Company revenue
- 12.5% of total defence revenue

Share Price:
(Traded Frankfurt, Madrid, Paris)
Source FT.com EADS NV

pse	Symbol - euros
Latest	29.75 (27/09/05)
52 Wk High	28.49 (29/07/05)
52 Wk Low	20.76 (5//01/05)

Locations:
Worldwide with 70 production sites, above all in Germany, France, Great Britain and Spain.

SRG Point of Contact:
Robert Shaw SRGKSEM8c
01225 885149

RESTRICTED - COMMERCIAL

PLC Factsheet

SRG
Supplier Relations Group

Company Overview

- Thales SA is a global electronics company serving the Aerospace, Defence, Security and Services markets. The company has expertise in Prime Contracting (PC), systems integration, sub-systems and service provision backed up by a strong R&D capability.

- The Group generated sales of € 10.3 bn in 2004 (down 5% on 2003) of which defence business generated around 60-70% of sales.

UK Activities (Thales UK)

- Thales UK accounts for some £1.1bn or 12% of group sales of which a third is exported. Alex Dorrian UK CEO and EVP International Operations is effectively No2 in the global company. Thales UK employs 9,810 staff.

- Thales activities are organised across 6 multi-national operating divisions:
  - **Aerospace** - PC, helicopter avionics, communications & radar (1,400 UK staff)
  - **Air Systems** PC, ATM, surveillance, missile design & electronics, EW, air C2 (1,300 UK staff)
  - **Naval** – PC, naval design & sonar systems (1,100 UK staff)
  - **Land and Joint Systems** – PC, integrated C4I, Thermal Imaging, visual systems and periscopes, fire control, communications (2,300 UK staff)
  - **Security** – network security, cryptography (500 UK staff)
  - **Services** – military training, consultancy, simulations systems (3,400 UK staff).

Future Business (Thales UK's major bids):

- Battle Field ID system (BTIS)
- UKMFTS (Lead)
- A400M (Sub)
- FRES, MASC (Maritime Airborne Surveillance), MARS, Surface Combatants (MVD / VSC) and Future Lynx are also of strategic interest

Thales UK involvement in major MOD programmes:

- T45 Destroyer (FICS, ESM, Long range radar PAAMS,)
- Bowman (sub)
- BGTI - Battle Group Thermal Imager (PC)
- CVF (Alliance partner)
- FALCON (sub to BAE Systems)
- FIST (PC)
- ASTUTE (Visual System, Sonar, ESM)
- Nimrod MRA4 (Radar, Mission System, Training)
- HVM (PC and support)
- Typhoon (IR Search & Track, mission planning system)
- FSTA (mission system, simulation)
- Replacement Sea King AEW (PC and CLS package)
- RN Sonar PC (2087, 2093, 2076) & Sonar CLS
- Watchkeeper UAV (PC)
- FsAST (Air training and simulation)

Key Data:
Thales Group
Chairman & CEO:
Denis Ranque
Thales UK plc
CEO Thales UK and EVP international operations:
Alex Dorrian CBE
Non-Exec Chairman:
Lord Freeman
Vice-Chairman:
John Howe

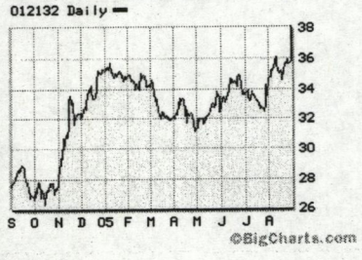
Ownership (at y/e 2003)
French state 31.3%
Public 47.9%
Alcatel 9.5%
GIM Dassault 5.7%
Thales 5.6%

Financials: Thales SA

€	2004	2003
Group Sales	10.3bn	10.5bn
% UK Sales from MoD	52%	N/A
Operating income	729m	698m
Employees	55K	57K

Share Price: €*Source FT.com*

LSE	Symbol -
Latest	35.68
52 Wk High	36.37
52 Wk Low	26.10



Locations
Thales group has operations in over 50 countries. In the UK Thales UK plc has 60 sites employing some 10,000 staff.

SRG Point of Contact:
John Clark
SRGKSEM5
01225 884072

From: **Mark Oakes**
Date: **29 September 2005**

JONATHAN POWELL

Copy to:
Geoffrey Norris
Antony Phillipson
Margaret Aldred
Ken Kehoe

REPLY TO CASTELLANETA

Following a meeting on 25 July between the Prime Minister, Gianni Castellaneta and Pierfrancesco Guarguaglini (CEO Finmeccanica) you received a letter from Castellaneta (Flag 1) requesting that Guarguaglini become a member of several senior defence industrial groups (the National Defence Industry Council (NDIC), Defence Industries Council (DIC) and the Aerospace Leadership Council (ALP)).

Geoffrey Norris wrote to Lord Drayson on 5 September (Flag 2) suggesting that Guarguaglini's membership of the NDIC should be considered. Lord Drayson replied on 21 September (Flag 3) stating that an invitation for Guarguaglini to join the NDIC at this stage would be inappropriate. The key reasons given were:

- Current NDIC members tend to have responsibility for UK enterprises rather than a parent company based outside the UK.
- Potential nominees for the NDIC are drawn from DIC members. Finmeccanica are not current members of the DIC, therefore an invitation for it to join the NDIC is unlikely to be supported at this stage.
- There are a number of other companies with strong cases for joining the NDIC but who have not been invited to join (QinetiQ, Lockheed Martin). An invitation to Finmeccanica could irritate significant parts of industry.

Lord Drayson suggested that the most appropriate way for Finmeccanica to work towards membership of the DIC and NDIC would be through membership of the trade association - the Society of British Aerospace Companies (SBAC).

I have drafted a reply to Castellaneta's successor, Gianpaolo Scarante, reflecting the MoD line (Flag 4). Are you content with this approach or do you believe MoD should be asked to reconsider?

Mark Oakes

MARK OAKES

066784657

cc: APolr
MA

Il Consigliere Diplomatico
del Presidente del Consiglio dei Ministri

Rome, 29 LUG. 2005

Dear Jonathan,

First of all I would like to thank you very much indeed for the meeting between the Prime Minister and the CEO of Finmeccanica, Pierfrancesco Guarguaglini.

I believe it was a very good meeting.

Let me sum up for you some of the results of the meeting:

1) After the operations finalized in the last months (AgustaWestland and Eurosystems) Finmeccanica has become a reliable industrial partner for UK Armed Forces operational needs and requirements. Finmeccanica is now one of the major industrial groups operating in the UK. The UK Government could support Finmeccanica's strategy towards the US market and, furthermore, to other potential areas of interest where London enjoys special diplomatic, commercial and political relations.

2) The EU role in Aerospace, Defence and Security cooperative programmes is growing fast. In particular, the role of Security-related research will be increasingly relevant. It is important to push for a deeper coordination of UK-Italy policies and institutions on key programmes and technologies within the EU framework. In this sense, we believe it could be useful a meeting between EU Commissioner Peter Mandelson and Chairman Guarguaglini, that could be favoured by a UK Government intervention.

3) We would see very favourably the perspective for Finmeccanica's CEO, Pierfrancesco Guarguaglini, to sit in two relevant and prestigious Defence-related forum in the UK: the National Defence Industry Council (NDIC), chaired by UK Defence Minister, and the Defence-Industry Council (DIC), currently chaired by Rolls-Royce President.
Furthermore, Chairman Guarguaglini could also be integrated in the prestigious Aerospace Leadership Council (ALC). This would facilitate a better co-operation between British and Italian industries.

I thank you once more and I look forward to hearing from you soon

Best Wishes, Yours truly

Mr.
Jonathan POWELL
Chief of Staff
Prime Minister's Office
10 Downing Str.
London

ISTITUTO POLIGRAFICO E ZECCA DELLO STATO - S.

RECEIVED 7/2/1 5187

10 DOWNING STREET
LONDON SW1A 2AA

From the Senior Policy Adviser

5 September 2005

Dear Paul.

Thank you for the discussion this afternoon about the defence industry policy. I hope we can keep closely in touch as your thinking develops further.

As I mentioned to you, the Prime Minister met in July with Pierfrancesco Guarguaglini of Finmeccanica. In the meeting Finmeccanica were very anxious to express their commitment to the UK and subsequently they have raised the possibility of Guarguaglini joining the National Defence Industry Council. This would seem to us to be a good thing and I wonder whether it would be possible to extend an invitation to him to join the Council.

Yours,

Geoffrey

GEOFFREY NORRIS

Lord Paul Drayson
PUSS, MOD

MINISTRY OF DEFENCE
FLOOR 5 ZONE B MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone: 020 7218 9000 (Switchboard)

MINISTER FOR
DEFENCE PROCUREMENT

FROM: LORD DRAYSON

D/MSU/7/2/1/is

21 September 2005

Dear Geoffrey

Thank you for you letter of 5 September raising the possibility of inviting Pierfrancesco Guarguaglini of Finmeccanica to join the National Defence Industries Council (NDIC).

I have looked into the principles by which membership of the NDIC have previously been established. In essence an invitation to Pierfranceso Guarguaglini would cause some significant issues and would not be appropriate at present.

First, I don't think it would be appropriate for Pierfrancesco as CEO of Finmeccanica, the Italian parent company to be invited onto the NDIC. Current NDIC members have responsibility for their UK enterprises, for instance it is Alex Dorrian, rather than Denis Ranque who represents Thales UK.

Invitations to individuals to join the NDIC are formally extended by John Reid, it is for industry to decide who represents them, thus potential applicants are nominated by the Defence Industries Council (DIC) from its own members. At present Finmeccanica are not members of the DIC, thus it is highly unlikely that an invitation would have its support.

By making significant acquisitions of key defence companies, Finmeccanica have a reasonable case for joining the NDIC, but a number of other defence companies who have made greater investment over a longer period and are thus more firmly established in the UK industrial base for various reasons have not been invited to join, including Lockheed Martin and QinetiQ. An invitation to Finmeccanica is likely to irritate significant parts of the defence industry.

Geoffrey Norris Esq
No 10 Downing Street

Private Office

INVESTOR IN PEOPLE

Initially it may be more appropriate for Finmeccanica to influence the DIC through their trade association – the Society of British Aerospace Companies – and seek to have a senior UK executive join the DIC before he or she is considered for membership of the NDIC.

Yours ever

Paul

Copy to:

EC Sec POL AD
APS/SofS
PS/PUS
PS/2nd PUS/VCDS
PS/CDP
MA/CDL
PS/DCE
DGE
ComSRD
EC SEC D
SRG-GL
DESP
Special Advisor

JONATHAN POWELL - DRAFT REPLY TO GIANPAOLO SCARANTE

Dear Gianpaolo,

Congratulations on your new post.

You will recall that on 25 July the Prime Minister and I had an extremely useful discussion on UK-Italian defence matters with Gianni and Pierfrancesco Guarguaglini. Following the meeting Gianni wrote to me on 29 July setting out some proposals for how we could deepen our co-operation. I am writing by means of reply – I must apologise for the delay.

Firstly, I wish to reiterate our acknowledgement and appreciation of the significance of Finmeccanica's investment in the UK, and I believe there would be value in maintaining a regular dialogue.

Gianni raised the issue of our support for Finmeccanica's export strategy. The government will strive to support the Company's defence export efforts, along with other defence companies with investments in the UK, whenever and wherever we can. In particular, the MoD's Defence Export Services Organisation (DESO) will have an important role to play in this.

With regard to European defence, as Gianni pointed out, developments in the European defence market will be of significance to both our defence sectors, and closer cooperation between our two governments in this area would be sensible. This work should be taken forward via the regular contacts between our Defence Ministers.

Gianni enquired about Finmeccanica becoming members of the Aersopace Leadership Council, National Defence Industries Council and Defence Industries Council. The ALC and NDIC are joint government/industry bodies, covering aerospace and defence respectively, the DIC is the senior representative body of the defence industry in the UK. I agree that Finmeccanica's important presence in the UK should be reflected in its involvement in the relevant UK defence industrial groups, however membership is not been linked specifically to representing a company or sector. I have been advised that the most appropriate way for Finmeccanica to become involved in these groups would be through its active membership of a Trade Association. I understand that Finmeccanica met Dr Sally Howes, Director General of the SBAC, on 28 September to discuss its membership of the SBAC and feel that this would be a good first step towards joining the other groups. Dr Sally Howes is also the Secretary to the DIC and a member of both the NDIC and ALC.

JPO

Defence : policy

NS
cc AP

L Matrix
2. File.

Department for
Transport

From the Minister of State

Great Minster House
76 Marsham Street
London SW1P 4DR

Tel: 020 7944 3082
Fax: 020 7944 4492
E-Mail: stephen.ladyman@dft.gsi.gov.uk

Web site: www.dft.gov.uk

Our Ref: AD/SL/019899/05

29 SEP 2005

Don Touhig MP
Parliamentary Under-Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON
SW1A 2HB

Dear Don

THE ARMED FORCES BILL

I refer to your three letters dated 28 July, 3 and 6 August to John Prescott, concerning proposals for the Armed Forces Bill covering, respectively:

- the sentencing powers of Service courts;
- Service offences; and
- minor and miscellaneous matters relating to Armed Forces discipline.

Unfortunately, copies of the letters in which you ask for the Deputy Prime Minister's agreement to the proposals outlined, were received here only on 28 September.

Insofar as it is not too late to comment, I can confirm on behalf of DfT that we have no objection to any of the proposals, including those which touch upon civilians who may be subject to Service discipline. We recognise that this category might occasionally include civilians engaged particularly in the marine or air transport sectors.

The crews of Royal Fleet Auxiliary Service vessels are an example of such civilians in the marine sector.

I am copying this letter to the Prime Minister, DA colleagues, First Parliamentary Counsel and Sir Gus O'Donnell.

STEPHEN LADYMAN

file

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 September 2005

Dear Chris

COMMANDER-IN-CHIEF STRIKE COMMAND AND COMMANDER-IN CHIEF-PERSONNEL AND TRAINING COMMAND

Thank you for your letter of 21 September.

The Prime Minister is content with the recommendation that Air Marshal Sir Joe French KCB CBE should become Commander-in-Chief Strike Command on promotion to Air Chief Marshal. The way is clear for you to seek The Queen's approval.

The Prime Minister has also been informed of the selection of Air Vice-Marshal B M Thornton CB as the Air Member of Personnel and Commander-in-Chief Personnel and Training Command on promotion to Air Marshal. So the way is clear for you to seek the approval of Her Majesty The Queen.

Yours,

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

8M

AP
CC NS
KCG

LEADER OF THE HOUSE OF COMMONS

THE RT HON GEOFF HOON MP

Our Ref: IM7666/LP3587

September 2005

Dear John

ARMED FORCES BILL: PROVISION FOR REGULAR RENEWAL OF SERVICE LAW

Thank you for your letter of 30 August seeking LP clearance for your proposals for future arrangements for the renewal of Service law, once the forthcoming Armed Forces Bill is enacted.

You propose that the requirement for 5 yearly re-enactment of the Service Discipline Acts should continue; but that the requirement for annual renewal by Order in Council be dropped, on the ground that there are other and better opportunities to debate Service matters.

No member of LP replied to your letter.

The view of some of the Business Managers is that there may well be an objection in Parliament to a provision removing the requirement for annual renewal by Order in Council, and a concession on this may be necessary to ensure the smooth passage of the Bill. It may assist handling if you make clear that you are willing to listen to the views of the Select Committee on the Bill on this point.

You may take it that you have LP clearance for your proposed approach in the condition that I would like to discuss with you the question of whether the 5 year re-enactment is consistent with 21st century circumstances.

I am copying this letter to the Prime Minister, members of LP, Sir Gus O'Donnell and First Parliamentary Counsel.

Geoff Hoon

GEOFF HOON

The Rt Hon Dr John Reid MP
Secretary of State for Defence
Ministry of Defence

2 Carlton Gardens LONDON SW1Y 5AA
Tel: 020 7210 1025 Fax: 020 7210 1075
www.commonsleader.gov.uk

Extract from Defence Committee's Second Report of Session 2004-05 (HC 64)

Annual renewal of Service law

116. The Bill of Rights states:

That the raising or keeping of a standing army within the kingdom in time of peace unless it be with the consent of Parliament is against the law.[158]

117. Reflecting the constitutional principle that the Armed Forces can only be maintained by the annual agreement of Parliament (through 'Defence Votes A'), the Service Discipline Acts also require annual renewal by Order in Council, and every five years by primary legislation. We asked MoD in November 2004, whether the Service law will continue to require annual renewal, and whether it will require renewal by primary legislation at least once every five years.[159] MoD told us that it was 'giving careful consideration to the possible future arrangements for the renewal of Service law, but have not yet reached a firm view'.[160]

118. The Committee on the last Armed Forces Bill concluded that:

The introduction of a 'tri-Service' Discipline Act… would be an appropriate point at which to review the traditional procedures for parliamentary scrutiny of Armed Forces Bills. We recommend that the Select Committee on the tri-Service Bill (whether it is the Defence Committee or an ad hoc committee) should examine the procedures for renewing the Act and for scrutinising it, and recommend how it should be handled.[161]

119. We asked the Minister on 2 February 2005, whether he had reached a view on the future arrangements for the renewal of Service law. He told us that 'the answer today… is the same as it was on 25 November in that we have not reached a final view about that, but I would certainly be willing to share that with the Committee as soon as we have'.[162]

120. Renewal of service law every year remains an important constitutional principle, which should not be diluted in the Tri-Service Armed Forces Bill. Before 1955 the Army and Air Force Acts were subject to annual renewal by Act of Parliament. Since 1961, however, acts have been passed every five years and in between annual renewal has been by Order in Council. The Naval Discipline Act which was originally a permanent act was put on the same basis as the other two in 1971.

121. The Select Committee on the 1976 Armed Forces Bill rejected a proposal to discontinue the annual Continuation Order, although in the interests of the parliamentary timetable the expiry date for the Order was changed from 31 December to 31 August. No changes to the renewal procedures have been proposed in subsequent Armed Forces Bills. The Continuation Orders are subject to the affirmative procedure. In the Commons the consequent debate generally takes place in a Delegated Legislation Committee. But in the Lords they are taken on the floor of the House. We recommend that annual continuation orders, subject to the affirmative

procedure, should continue to be required for the proposed Tri-Service Armed Forces Bill.

122. The pattern of quinquennial Armed Forces Bills has allowed more significant amendments to be made periodically to Service discipline. Although it is possible to provide for amendments to primary legislation to be made by secondary legislation, except in very limited circumstances this procedure is not one which we can support.

123. It might be argued that the five year gap between bills can have the effect of delaying changes which should be made more promptly. The Committee on the 2001 Armed Forces Bill argued that introduction of a Tri-Service Act was needed sooner than the next scheduled renewal (ie 2005-06) and recommended that it was brought in within three years. That of course did not happen and the presently proposed bill will be introduced to meet the quinquennial timetable of previous Armed Forces Bills. Furthermore wider pressures on the parliamentary timetable and the Government's legislative programme may well mean that even substantial proposed amendments to Service discipline legislation might have to wait some years for a parliamentary slot.

124. We believe that periodic renewal by Act of Parliament must be retained. Given the pace of change in both military operational requirements and in civilian criminal law, there might be an argument for requiring that renewal to be more frequent than every five years, perhaps every three years. We recommend that the MoD consult on this proposition and that the select committee to which the Bill, or draft Bill, is referred consider it in greater detail than we have been able to.

RESTRICTED

Top: NS AP
cc AP NS
SPM

MINISTRY OF DEFENCE
FLOOR 5, ZONE D, MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone 020 721 82111/2/3
Fax: 020 721 87140
E-mail: defencesecretary@mod.uk

SECRETARY OF STATE

MSU 1/7K

21 September 2005

Dear John,

PROTECTION OF SENSITIVE MOD SITES AND CIVIL NUCLEAR SITES FROM TRESPASS

I have seen a copy of Charles Clarke's letter to you dated 14 September 2005. I strongly support the proposals which he makes. I shall write shortly with further details of the precise sites involved.

I am sending a copy of this letter to the Prime Minister, members of the Domestic Affairs Committee, the Scottish First Minister and to Sir Gus O'Donnell.

Yours ever

John

JOHN REID

The Rt Hon John Prescott MP
Deputy Prime Minister and First Secretary of State

RESTRICTED

SKP 23/9/05

1. Matrix (FO)
2. File.

MINISTRY OF DEFENCE
FLOOR 5, ZONE D, MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone 020 721 82111/2/3
Fax: 020 721 87140
E-mail: defencesecretary@mod.uk

(1) JCS – A register
(2) NS/JPO – ok?
note X.

SECRETARY OF STATE

MSU 10/14/2K

21 September 2005

Dear Antony,

APPOINTMENT OF COMMANDER-IN-CHIEF STRIKE COMMAND AND COMMANDER-IN-CHIEF PERSONNEL AND TRAINING COMMAND

Air Chief Marshal Sir Brian Burridge KCB CBE, Commander-in-Chief Strike Command, plans to retire from the Royal Air Force next year and will handover his responsibilities in July 2006. The Defence Secretary has agreed the selection of Air Marshal Sir Joe French KCB CBE to succeed him on promotion to Air Chief Marshal. A summary of Air Marshal Sir Joe French's service career is attached. I should be grateful for the Prime Minister's agreement to this 4-star appointment. Thereafter, we will seek the approval of Her Majesty The Queen.

The Prime Minister will also wish to be aware that the Defence Secretary has agreed to the selection of Air Vice-Marshal B M Thornton CB to succeed Air Marshal Sir Joe French as the Air Member of Personnel and Commander-in-Chief Personnel & Training Command on promotion to Air Marshal. The intention is that Sir Joe French hands over his responsibilities to Air Vice-Marshal Thornton at a mutually convenient date in May 2006. A summary of Air Vice-Marshal Thornton's service career is attached. Again, in due course, we will seek the approval of Her Majesty The Queen to this appointment and associated promotion.

You will wish to note that this sequence of moves might occur slightly earlier in the light of Sir Brian Burridge's application to join Finmeccanica as their UK Chairman. I understand that the Prime Minister will shortly be receiving advice on this application from his Advisory Committee on Business Appointments. X

Yours ever
Chris

J C S BAKER
Private Secretary

Antony Phillipson Esq
10 Downing Street

CAREER BRIEF CB/298

Sir Joe FRENCH KCB CBE FRAeS rcds psc

Date of Birth	:	15 July 1949
Place of Birth	:	Sheppey, Kent
Commissioned	:	29 March 1968

MAIN COURSES

RAF Staff College Bracknell	:	No 74 Advanced Staff Course	1982
Royal College of Defence Studies	:	Student	1992

PROMOTIONS

Squadron Leader	:	1 January 1979
Wing Commander	:	1 July1984
Group Captain	:	1 July 1988
Air Commodore	:	1 January 1992
Air Vice-Marshal	:	1 January 1996
Air Marshal	:	13 November 2000

APPOINTMENTS

No 78 (Wessex) Squadron RAF Sharjah	:	Pilot	4/70
No 72 (Wessex) Squadron RAF Odiham	:	Pilot	3/71
No 28 (Wessex) Squadron RAF Kai Tak	:	Pilot	8/73
No 1 (AFTS) (Whirlwind) Squadron RAF Tern Hill	:	Pilot	3/76
Ministry of Defence London	:	Aide de Camp to Chief of the Air Staff then Chief of the Defence Staff	10/76
No 18 (Wessex) Squadron RAF Gutersloh	:	Flight Commander	6/79
No 230 (Puma) Squadron RAF Gutersloh	:	Deputy Squadron Commander	11/80
Central Trials and Tactics Organisation HQ RAF High Wycombe	:	Staff Officer - Strike/Attack Helicopters	12/82
No 7 (Chinook) Squadron RAF Odiham	:	Officer Commanding	7/84
Headquarters Strike Command	:	Personal Staff Officer to Air Officer Commanding-in-Chief	3/86
RAF Staff College Bracknell	:	Head of RAF Presentation Team	11/88
RAF Odiham	:	Officer Commanding	11/89
Ministry of Defence London	:	Director Air Force Staff Duties	8/92
Ministry of Defence London	:	Assistant Chief of the Defence Staff (Policy & Nuclear)	9/95
Ministry of Defence London	:	Director General Intelligence and Geographical Resources	4/98
Ministry of Defence London	:	Chief of Defence Intelligence	11/00
Headquarters Personnel and Training Command	:	Commander-in-Chief/Air Member for Personnel	4/03

CAREER BRIEF CB/419

Barry Michael THORNTON CB MSc BSc CEng FIMechE FRAeS FIMgt rcds psc

Date of Birth : 19 November 1952
Place of Birth : Blackpool
Commissioned : 25 September 1971

MAIN COURSES

RAF Staff College Bracknell	:	No 80 Advanced Course	1988
Royal College of Defence Studies	:	Student	1997

PROMOTIONS

Squadron Leader	:	1 January 1984
Wing Commander	:	1 January 1989
Group Captain	:	1 January 1994
Air Commodore	:	1 July 1998
Air Vice-Marshal	:	1 January 2001

APPOINTMENTS

RAF Waddington	:	Deputy IC Armament Flight	3/76
RAF Waddington	:	Officer IC Armament Engineering Flight	1/78
RAF Lyneham	:	Officer IC Servicing Flight	8/79
RAF Abingdon	:	Officer IC Aircraft Salvage and Transportation Flight	11/81
RAF Lyneham	:	Officer IC 1st Line Servicing Flight	5/83
Headquarters RAF Germany	:	Staff Officer - Weapons Engineering 1A	4/85
RAF Honington	:	Officer Commanding Engineering & Supply Wing	12/88
RAF Detachment Tabuk	:	Officer Commanding Engineering & Supply Wing	12/90-3/91
Ministry of Defence (Air Force Department) Weapons Standardisation Team	:	Officer Commanding	4/91
Aeroplane & Armament Experimental Establishment Boscombe Down	:	Superintendent of Armament Systems Division	2/94
Aeroplane & Armament Experimental Establishment Boscombe Down	:	Head of Combat Aircraft	7/94
Ministry of Defence (Procurement Executive)	:	Director Maritime Projects	1/98
Defence Procurement Agency, Abbey Wood	:	Integrated Project Team Leader Nimrod MRA4	11/98
Defence Procurement Agency, Abbey Wood	:	Executive Director 3	10/00
Headquarters Defence Logistics Organisation	:	Director General Equipment Support(Air)	6/03
Headquarters Defence Logistics Organisation	:	Director General Logistics (Strike)	4/04

4/04

MINISTRY OF DEFENCE
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WHITEHALL LONDON SW1A 2HB

Telephone: 020 7218 9000 (Switchboard)

GN

MINISTER FOR
DEFENCE PROCUREMENT

FROM: LORD DRAYSON

21 September 2005

D/MSU/7/2/1/is

Dear Geoffrey

Thank you for you letter of 5 September raising the possibility of inviting Pierfrancesco Guarguaglini of Finmeccanica to join the National Defence Industries Council (NDIC).

I have looked into the principles by which membership of the NDIC have previously been established. In essence an invitation to Pierfranceso Guarguaglini would cause some significant issues and would not be appropriate at present.

First, I don't think it would be appropriate for Pierfrancesco as CEO of Finmeccanica, the Italian parent company to be invited onto the NDIC. Current NDIC members have responsibility for their UK enterprises, for instance it is Alex Dorrian, rather than Denis Ranque who represents Thales UK.

Invitations to individuals to join the NDIC are formally extended by John Reid, it is for industry to decide who represents them, thus potential applicants are nominated by the Defence Industries Council (DIC) from its own members. At present Finmeccanica are not members of the DIC, thus it is highly unlikely that an invitation would have its support.

By making significant acquisitions of key defence companies, Finmeccanica have a reasonable case for joining the NDIC, but a number of other defence companies who have made greater investment over a longer period and are thus more firmly established in the UK industrial base for various reasons have not been invited to join, including Lockheed Martin and QinetiQ. An invitation to Finmeccanica is likely to irritate significant parts of the defence industry.

Private Office

Geoffrey Norris Esq
No 10 Downing Street

INVESTOR IN PEOPLE

Initially it may be more appropriate for Finmeccanica to influence the DIC through their trade association – the Society of British Aerospace Companies – and seek to have a senior UK executive join the DIC before he or she is considered for membership of the NDIC.

Yours ever

Paul

Recycled Paper

From: **Mark Oakes**
Date: **19 September 2005**

NIGEL SHEINWALD

NS/JO - own copy
cc AP

Copy to:
Jonathan Powell
Margaret Aldred
Geoffrey Norris
Ken Kehoe

DEFENCE INDUSTRIAL ISSUES: UPDATE

As we enter the 'autumn term' I thought it might be helpful to provide a quick summary of where we are on a number of key defence industrial related issues.

Defence Industrial Strategy
Lord Drayson was recently tasked by Dr Reid to push ahead with developing a Defence Industrial Strategy with the stated aim of delivering a strategy by Christmas. The Strategy will aim to build on the existing Defence Industrial Policy by addressing some of the difficult issues regarding the future shape of the defence industrial base. A key aim will be to produce a clearer joint understanding across Government and with industry of the capabilities that will be required in the future and that it may be advantageous to retain or develop within UK industry. The process is being driven by the operational requirements of the Armed Forces. The Strategy will include and expand upon the separate sector studies (shipbuilding, rotorcraft, aerospace) that have been going on for some months.

The timescale is ambitious. MoD is the lead department but is consulting with OGDs and industry. We have attended a number of inter-departmental meetings and are providing comments and guidance to the MoD team. We have set aside the MISC5 meeting on 12 October for a discussion of the Strategy. Lord Drayson will present an outline of the Strategy to Ministerial colleagues and highlight some of the difficult political decisions that may need to be taken (e.g. future of shipbuilding in the UK). We have requested that MoD provide us with a copy of the presentation as soon as possible.

BAE Systems-Ministerial, 31 October
The follow-up to the Ministerial meeting with BAES held on 17 March will take place on 31 October. It has been agreed with the Chair (Secretary of State for Trade and Industry) and other departments that the focus of the meeting will be BAES-centric issues such as the company's intentions towards its stakes in Airbus and MBDA. However, the company appear keen to address some broader questions relating to the Defence Industrial Strategy. Mike Turner (CEO) wrote to Lord Drayson on 7 September highlighting the role of the prime systems integrator (a role BAES believes it fulfils in the UK) in a future industrial base. We will inevitably touch upon the Strategy at the meeting but should avoid getting drawn on these issues otherwise we could be open to

criticism from other companies as to why they were not being involved in such discussions with Ministers.

Future Aircraft Carrier (CVF) – Cooperation with France

The joint industry team currently examining how to maximise industrial cooperation on the aircraft carriers is due to produce its final report to the UK and French MoDs on 21 September. This will be followed by a key meeting between the two procurement chiefs on 26 September. ODSEC will chair a meeting of officials on 4 October to examine the results of this work and assess next steps. There will also be an opportunity for the aircraft carrier programme (and more broadly the restructuring of the UK shipbuilding sector) to be discussed under the banner of the Defence Industrial Strategy at MISC5. The recent feedback I have received from MoD suggests that to date industry has not succeeded in identifying ways of achieving a highly co-operative programme.

It is also worth noting that there are persistent rumours in the press that the Short Take-Off Vertical Landing (STOVL) version of the Joint Strike Fighter that the UK would use on its carriers is being considered for cuts under the Pentagon's Quadrennial Defence review. There has been no confirmation of these rumours from US officials, but we are investigating.

European Restructuring

Following recent feedback from the joint CEOs of EADS it would appear that the company is gearing itself up for another stab at taking over Thales, apparently in response to recent speculation of a Finmeccanica-Thales link up. This again raises questions regarding the implications for the competitiveness and structure of the UK defence sector, and MoD's security of supply/military capabilities. MoD is producing a paper examining the issues and Lord Drayson will chair a Ministerial gathering in the next few weeks.

The last attempt by EADS to takeover Thales earlier in the year stalled because of infighting between the German and French wings of the company. This seems less likely this time and we will need to carefully coordinate the Government's response to the companies and French and German governments in order to give us the best chance of securing our interests.

Mark Oakes

MARK OAKES

File

RESTRICTED

Home Office

HOME SECRETARY
2 Marsham Street, London SW1P 4DF
www.homeoffice.gov.uk

Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

DT

cc KEG
KB
VAP

Deputy Prime Ministers,

PROTECTION OF SENSITIVE MOD SITES AND CIVIL NUCLEAR SITES FROM TRESPASSERS

I am seeking agreement to one additional matter I should like to include in the Terrorism Bill to amend the Serious Organised Crime and Police Act 2005 (SOCAP) offence of criminal trespass to enable us to protect DTI licensed civil nuclear sites and also to me making an announcement at 2nd reading of the Terrorism Bill, to widen slightly our intended use of the existing SOCAP offence to cover certain critical military establishments. I would be grateful for consent to this course of action by 22 September to allow time for Parliamentary Counsel to draft the necessary instructions.

It has long been the case that a small number of sensitive MoD sites and civil nuclear sites are subject to disruption from trespassers who may also unwittingly provide a screen for terrorists or on civil nuclear sites, may even, in darkness and in other stressful circumstances, be mistaken for terrorists, with tragic consequences. Under the current limited range of offences the MOD police or the Civil Nuclear Constabulary are inhibited in how they can deal with persons found trespassing. The case for protecting the sites in question is strong. The need for action has been strengthened by the events of 7 July and its aftermath, with the threat of suicide bombers who could use the cover of other trespassers now real.

Section 128 of SOCAP provides a new offence of trespassing on a designated site. This offence was created following the recommendation made by the

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Armstrong Report following the intrusion by Aaron Barschak at Windsor Castle on 21st June 2003. The scope of this offence would currently cover the relevant MoD sites but not the DTI licensed civil sites. While we could, therefore, simply designate the MoD sites, an undertaking was given to Parliament that designations would be few and far between. For this reason, I intend to use the 2nd reading of the Terrorism Bill to explain to Parliament that in the light of the changed circumstances following 7/7, I intend to use the provision in a slightly broader way to cover these particularly sensitive sites. The Secretary of State for Defence will be writing with further details of the precise sites involved.

The way in which the offence is constructed does not currently include DTI licensed civil nuclear sites to be designated. I, therefore, intend to extend the offence to cover these sites. We are in discussion about the best way to do this but the most likely way forward is simply to create an additional category of licensed nuclear sites which can be designated by Order. Again the Secretary of State for the DTI would seek clearance for the detailed list of sites to be designated once the legislation is enacted.

Any costs from these proposals would arise from the additional designations and hence be a matter for the subsequent correspondence.

I should be grateful for your agreement to these proposals.

I am sending a copy of this letter to the Prime Minister, members of the Domestic Affairs Committee, the Scottish First Minister and to Sir Gus O'Donnell.

pp. **CHARLES CLARKE**

Agreed by the Home Secretary and signed in his absence.
Mark Williams
14/9.

NS
cc AP
GN
JPo

MMtx
2 File

UK PRESIDENCY OF THE EU 2005

dti

The Rt Hon Alan Johnson MP
SECRETARY OF STATE
FOR TRADE AND INDUSTRY

12 September 2005

The Rt Hon Dr John Reid MP
Secretary of State for Defence
Ministry of Defence
Floor 5 Zone D
Main Building
Whitehall
London
SW1A 2HB

Dear John

Thank you for your letter of 12 August, sent to me in my capacity as Chair of MISC5, and for keeping me advised of MoD's intentions for Defence Industrial Strategy. I note that Lord Drayson is leading on the development of the Strategy and the intention is that it will be in place by Christmas. I know that a number of colleagues have a close interest in this issue and I expect a substantive debate at MISC5 on 12 October.

My officials wrote to yours on 9 August to highlight some issues that we consider the strategy needs to address. In particular I want to endorse the proposed objective for DIS set out in that letter: "To maximise long run UK value-added from MoD procurement, consistent with meeting operational needs and value-for-money". This objective may need some refinement but it is essential that government and industry have a single common view and avoid any difference in expectations of what it is that we are all trying to achieve.

I am grateful for your assurance that officials from here and other departments will be fully involved in developing the strategy.

I am copying this letter to MISC5 colleagues, Lord Drayson, Geoffrey Norris and Nigel Sheinwald at No.10, Gus O'Donnell at the Cabinet Office, David King at the OST and Lord Sainsbury at DTI.

Yours

ALAN JOHNSON

Department of Trade and Industry
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file · Sent to DO despatch

bc JPO
NS
GN
BK.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 August 2005

Dear Chris,

ANGLO FRENCH CARRIER COOPERATION

Thank you for your letter of 22 July which, along with Nigel Sheinwald's recent meeting with Admiral Guild and John Coles, provided a useful update on where things stand regarding co-operation with the French on procurement of our future aircraft carriers. The joint assessment by National Armament Directors that an adapted version of the UK's CVF carrier design could meet French requirements and form the basis for industry to industry co-operation is an important positive development. It is crucial that we try and build upon this, not least because of the risk you highlight that without deeper co-operation this opportunity may be lost.

It is disappointing that work to date by industry on options for deeper co-operation is insufficiently robust. Tasking industry to explore these options once more is sensible but we must ensure that UK officials provide both UK and French industry with the support and assistance they need. While we should be alive to the added risk to our own programme, we should not lose sight of the added political, financial and operation benefits that closer co-operation could bring.

The Cabinet Office will chair a meeting of Whitehall officials in September to assess how work with the French is progressing. A MISC5 meeting scheduled for 10 October will also discuss carrier co-operation and the wider shipbuilding strategy.

I am copying this letter to Margaret Aldred (Cabinet Office), Geoffrey Adams (FCO), Matthew Hilton (DTI) and Dan Rosenfield (HMT).

Yours,

Antony.

ANTONY PHILLIPSON

Chris Baker
Private Secretary, MoD

RESTRICTED

AP.
CC JPo.
NS.

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SECRETARY OF STATE

MSU 7/4/1/4J

Mark Oakes

22 July 2005

Old I have a draft reply taking n/c of NS/Guild meeting?

Dear Anthony,

Rks Anthony.

ANGLO FRENCH CARRIER COOPERATION

John Reid to visit Madame Michèle Alliot-Marie in France on 30 July. Discussions include aircraft carrier cooperation. Joint analysis of industries' proposals by National Armament Directors shows there is a good prospect of low risk industry to industry cooperation on common systems and equipment with savings of up to £50million. Proposals from industry for more intensive cooperation have been presented but the benefits identified by industry are limited and carry considerable risk. National Armament Directors will task industry to make a final set of proposals by the end of September, making a business case for more intensive cooperation. John Reid will aim to agree with Madame Michèle Alliot-Marie that the further report from industry is available by September in order to allow Governments to take a definitive view on the appropriate level of cooperation in the autumn, in a timescale sufficient to protect the all important Main Gate decision in the UK.

Further to Ian Forber's note of 28 June 2005, the UK and French National Armament Directors have now assessed the report made by industry on potential cooperation on their respective carrier programmes. I attach a copy of the Joint Report to Ministers by the National Armament Directors. Industry have identified three options of increasing cooperation. A relatively low risk option for making the CVF design available to France together with procurement of common systems and equipment could form the basis of a UK-French cooperative solution for aircraft carriers. Industry has confirmed this might produce savings of up to £50million. Despite encouragement and additional opportunities offered by the UK and French Government, industry has failed to make a robust business case for a high degree of cooperation

Anthony Phillipson Esq
10 Downing Street

(options 2 and 3 in the attached letter). Informal estimates mentioned by industry for higher level savings which could arise from greater commonality and procurement at around £300million have not been adjusted for the higher risks that would be incurred. Industry's proposals for incentivising them to maximise cooperative opportunities appeared to transfer an unacceptable level of risk to the UK and French Governments which would probably further reduce the levels of savings achievable. Industry has identified that their proposals would delay the UK CVF Main Gate decision until Autumn 2006, some six to nine months later than our current plan, which would have a corresponding impact in our in service dates and delay the capability.

The National Armament Directors have agreed that they should task industry one last time to produce more robust proposals to make the case for higher level cooperation. These proposals need to take account of the UK's pressing need to ensure that a mature Main Gate Business Case is ready for approval at the end of 2005. We need to link timing of any announcements of our Main Gate decision on the carrier with promulgation of the overall Defence Industry Strategy, because CVF is such a critical component of it.

Whilst the French are thought to favour the higher level of cooperation, they are assessed as unlikely to wish to cooperate if Option 1 is as much as can be achieved, French funding is known to be fragile and support for a carrier is not universal in French MOD. We believe Madame Alliot-Marie is being advised that a national fallback solution (known as Juliette) gives them a lower cost solution than option 1, that readily meets their requirement. John Reid therefore proposes to encourage Madame Alliot-Marie to allow the final phase of industry to industry discussion to mature in October, at which point we will be in a position to make firm decisions on the most appropriate level of cooperation, which addresses the requirements of each country and the risks of adapting closer collaborative arrangements. In discussions with Madame Alliot-Marie, we will need to emphasise that cooperation only makes sense if it makes cost savings and does not compromise either French or UK timescales.

I am copying this letter to Geoffrey Adams (FCO), Matthew Hilton (DTI), Dan Daniel Rosenfield (HMT) and Sir Nigel Sheinwald.

Yours ever

Chris

J C S BAKER
Private Secretary

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE DE LA DÉFENSE

DGA

DÉLÉGATION GÉNÉRALE
POUR L'ARMEMENT

DPA
Defence
Procurement
Agency

CDP/115/17/1
180 677 /DGA/D

19th July 2005

Secretary of State for Defence

UK-FRANCE AIRCRAFT CARRIER CO-OPERATION

Further to our letter to you of 6 May, we are writing to update you on the progress made by industry and the way ahead now for the possible areas for co-operation on our respective carrier programmes.

UK and French industries were tasked to propose possible areas for co-operation whilst preserving our respective national programmes and timelines. Industry have confirmed the technical feasibility of the CVF design being capable of adaptation to meet French requirements, and specifically concluded:

« The CVF is technically a suitable candidate to form the basis of France's second aircraft carrier PA2. Adaptations to the CVF design to meet more closely the French requirements have been identified and categorized into CVF generic design evolutions and French specific adaptations. CVF is suitable for the operation of RAFALE and E-2C ».

DGA, DPA representatives and experts from both Navies have been deeply involved in this work in a really constructive way. A much better common understanding of the design and related operational aspects has been obtained ; some modifications of the current CVF design have already been jointly identified in order to facilitate its adaptability to meet the CV requirement. DGA and French industry have tabled some additional proposals that are being considered by the UK and that could form part of the generic design.

The options specifically identified for possible co-operation are:

Option 1: common procurement for major items based on same generic CVF design but with separate national detailed design and build programmes;

Option 2: shared detailed design/procurement;

Option 3: shared detailed design/procurement and build.

On the one hand, option 1 offers low risk but low financial savings for the UK and could be more expensive than a national solution for France.

On the other hand, concerning option 3, Industry has estimated the possible savings of some 430M Euro. But this value is not associated with any precise industrial and contractual arrangements so that no assessment of the real amount of possible savings and associated risks is possible so far. At this stage, it represents circa 6% of the combined UK and FR budgets for these programmes. Actual savings will depend on the depth and effectiveness of the collaboration on industrial and government side, and on our ability to manage the opportunities and risks.

However, considering cost beyond the political benefits, Industry has so far failed to make a business case for co-operation beyond option 1.

We have considered what further work will need to be done with industry to provide clarification of cost, risk, and possible contractual arrangements in order to inform Ministers by October. Important work has still to be done on options 2 and 3 to explore completely the opportunities and assess the risks ; it will require evidence of real commitment from industry.

.../...

We recommend to Ministers that they note the progress made in the technical and interoperability aspects, the feasibility of option 1 and that further proposals to establish the possible area for co-operation are being addressed with a view to reporting further in October 2005.

François Lureau
Délégué général pour l'armement

Sir Peter Spencer
Chief of Defence Procurement
& Chief Executive DPA

10 DOWNING STREET
LONDON SW1A 2AA

From the Assistant Private Secretary

15 August 2005

Dear Mr Turner

In Jonathan Powell's absence on leave, I am writing on his behalf to acknowledge your copy letter dated 9 August. He will see this when he returns to the office on 30 August.

Yours sincerely

Jessie Ailes

MRS D C AILES

Mr M J Turner CBE

Ackd by DA. R1578

DCO - to file?

BAE SYSTEMS

M J Turner CBE
Chief Executive Officer

09 August 2005

Sir Kevin Tebbit KCB CMG
Permanent Under-Secretary of State
Ministry of Defence
Floor 5, Zone D, Main Building
Whitehall
LONDON
SW1A 2HB

Dear Sir Kevin,

Thank you for your letter of 26 July 2005 following the exchanges between Jack Straw, John Reid and me regarding technology transfer on the Joint Strike Fighter (JSF) programme.

To my knowledge the only unresolved issue between us on JSF is the need for a UK Final Assembly and Check-Out facility, which we believe is the only real way of testing the US's willingness to transfer technology ahead of the UK's full commitment to the JSF programme. However, this does not detract from our overall shared aim of ensuring that the UK Armed Forces have the ability independently to operate, upgrade and support the aircraft throughout its life.

I agree with your point that the Government should take the lead on making the case for JSF technology transfer and BAE Systems will support you in this activity. However, I am unhappy with any suggestion that BAE Systems has been acting in its own commercial interests rather than in the interests of UK sovereignty. Whilst an indigenous Prime Systems capability for the JSF programme is vital for the future of the UK's Air Systems defence industrial sector, BAE Systems, unlike some other industrial players, has been sensitive throughout to the need to pursue this issue in the context of the needs of the UK Armed Forces.

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On the matter of wider US/UK technology sharing we keep in close touch with Stephen French and our Embassy in the US.

Given the importance of these issues, I think it would be useful for the two of us to meet in the not too distant future. Perhaps we could get together towards the end of August?

Yours sincerely,

P.P. George Mayhew
Chief of Staff

Mike Turner

(dictated by Mike Turner
and signed in his absence)

Copy to: Rt. Hon. John Reid, MP
Rt. Hon. Jack Straw, MP
Rt. Hon Alan Johnson, MP
Lord Drayson
Mr Jonathan Powell
H.E. Sir Michael Jay KCMG
Mr Dick Olver CBE

RESTRICTED UK EYES ONLY - PERSONAL

PERMANENT SECRETARY

D/PUS/2/30 (417)

3 August 2005

Minister(DP)

Copy to:

PS/Secretary of State	Min(DM)
CDP	No 10 – Jonathan Powell
DCE	Cabinet Office – Nigel Sheinwald
Policy Director	Cabinet Office - Margaret Aldred
DGE	British Embassy - Alan Charlton

US/UK INFORMATION EXHANGE – BAe SYSTEMS

I picked up today from a variety of sources that BAe Systems continue to lobby in Washington in a way that is playing into the hands of those who wish to present our drive for the level of information sharing that we need as a Trojan horse for BAe Systems' commercial interests. It does not really matter how this impression has been created; the point is that it is limiting the effectiveness of our efforts to move the issue forward, most immediately during my visit tomorrow.

2. I accordingly telephoned Dick Olver to give him the clear message (yet again – we have conveyed this on a number of occasions to BAe Systems recently) that they should be leaving the lobbying to us at present, and that now is the moment for the company to lie low. I assured him that the substantive arguments had not changed and we were still essentially working to common ends (though there may be the odd area of difference), but for the time being we needed to untangle commercial and government interests. I briefed him in general terms about the messages I would be conveying. Olver seemed content and undertook to make sure that they followed our advice. I will make sure they are briefed appropriately on the outcome of the visit.

KEVIN TEBBIT

RESTRICTED UK EYES ONLY - PERSONAL

Top: FA(AP)
cc FA(NS) O/R
KEG
Qs

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Telephone: 020 7218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE FOR DEFENCE
AND MINISTER FOR VETERANS

DON TOUHIG MP

The Rt Hon John Prescott MP
Deputy Prime Minister and First Secretary of State
26 Whitehall
London
SW1A 2WH

D/MST 1/8

3 August 2005

Dear John,

THE ARMED FORCES BILL: PROPOSALS FOR SERVICE OFFENCES

I am seeking your agreement to our proposals to modernise the Service offences that we intend should be included in the Armed Forces Bill. We intend to introduce the Bill towards the end of this year to replace the current separate and different systems of Naval, Army and Air Force law with a single harmonised and modernised system. As part of that process, I propose to repeal the offences of: scandalous conduct by an officer; offences relating to billeting and requisitioning; neglect by sentry of duty; disposal of or loss of or damage to decorations; damage to or loss of aircraft material; and offences against the civilian population. I also propose to retain the Service offences listed below. To enable drafting to continue on what will be a very large Bill, I would be grateful for clearance by the end of August.

Most legislation concerning the Armed Forces is in the Service Discipline Acts – the Army and Air Force Acts 1955 and the Naval Discipline Act 1957 – each of which provides for a separate system of law. The three Acts enable offences allegedly committed by persons subject to Naval, Military or Air Force law to be dealt with by the Services themselves. These Service offences are unique to the Armed Forces and are necessary to maintain the discipline which is so crucial to operational effectiveness.

I intended to retain most Service offences because the Services themselves believe they are still required to maintain discipline. But some Service offences are obsolete, and others have fallen into disuse, in part because alternative offences are available. For these reasons, I intend to repeal the following offences:

Private Office

INVESTOR IN PEOPLE

GLO Global

Scandalous conduct by an officer

This archaic offence has not been successfully prosecuted in recent years. The only punishment available is dismissal, which has led courts martial to become reluctant to find a person guilty of this offence. Most scandalous conduct will amount to either an offence under criminal law or another Service offence but, where this is not the case, administrative action is likely to be the most appropriate way to deal with the matter.

Offences relating to billeting and requisitioning

The powers relating to billeting and requisitioning in the Service Discipline Acts have been superseded by more general powers in the Civil Contingencies Act 2004 and will be repealed in the Armed Forces Bill. In future, billeting and requisitioning will be provided for under civil contingencies legislation or under specific legislation which could be passed in the event of a national emergency. It is therefore not intended to replace the existing offences which relate specifically to the existing regime under the Service Discipline Acts.

Neglect by sentry of duty

The conduct covered by this offence can be charged under the more general offence of neglect of duty. Although potentially a very serious matter, neglect of duty in other roles could have equally serious consequences and sentry duty should not be singled out. The seriousness of the particular offence should be reflected in the sentence.

Disposal of or loss of or damage to decorations

This offence relates to decorations that are the property of the accused. The offence has not been used in recent years. It has been decided that in future behaviour of this sort should be dealt with administratively rather than by way of an offence.

Damage to or loss of aircraft material

There is a general offence of damage to or loss of service property. It is not necessary to retain a separate offence in relation to aircraft material, because the type of property it covers is all Service property and therefore covered by the general offence.

Recycled Paper



Offences against the civilian population

There is provision in the Bill (and in the Service Discipline Acts) to the effect that conduct that would constitute a criminal offence if it were done in England shall be a Service offence wherever in the world it is committed. This offence duplicates that provision but is never in practice used. As it serves no purpose, it is being repealed. It is worth noting that this is simply removing an unnecessary duplication, not changing the substance of the law.

I have decided to retain the following Service offences in the Armed Forces Bill in the groupings set out below. Some offences are expressed more clearly in modern terms:

1. assisting an enemy; misconduct in action; obstructing operations; looting; failure to escape from the enemy;

2. mutiny; failure to suppress mutiny;

3. desertion, absence without leave; failure to apprehend deserters and absentees;

4. misconduct towards a superior officer; disobedience to lawful commands; contravention of standing orders; using force against a sentry;

5. failure to attend for or perform a duty; malingering; disclosure of information useful to an enemy; disclosure affecting morale; making false records; conduct prejudicial to good order and discipline; unfitness or misconduct through alcohol or drugs; fighting or threatening behaviour; ill-treatment of subordinates; disgraceful conduct of a cruel or indecent kind;

6. damage to or loss of public or service property; misapplication or waste of public or service property;

7. obstructing or refusing to assist a provost officer; resistance to arrest, escape from custody; allowing escape or unlawful release of prisoners;

8. hazarding of ship; giving false air signals; causing seizure or destruction of aircraft by neutral state; dangerous flying; low flying; annoyance by flying; inaccurate certification; prize offences by commanding officers; other prize offences;

9. offences in relation to Service courts (contempt of court);

10. false statements on enlistment;

11. failing to attend your Court Martial hearing;

12. making a false statement in, or failing to disclose a fact material to, a financial statement order;

13. failure to provide a sample for drug testing; failure to provide a sample after a serious incident.

Finally, I have made some changes in relation to the offences of contempt before Service courts. Though the offences themselves are substantially unchanged from those that exist at present, their application will be widened so that they can be committed by civilians in the United Kingdom who are not subject to Service law. This change is to address the present lacuna that they could, for example, disrupt proceedings in Service courts with impunity.

I would be grateful for your agreement to these proposals.

I am copying this letter to the Prime Minister, DA colleagues, First Parliamentary Counsel and Sir Andrew Turnbull.

Yours ever
Don

DON TOUHIG MP

RESTRICTED UK EYES ONLY

SECRETARY OF STATE

MSU 3/1/1/3J

01 August 2005

PS/Policy Director

Copy to:

PS/Minister(AF)	DGISP	FSTA-IPTC
PS/Minister(DP)	DGMC	PDRN-NAWE1
PS/USofS	D PDR(N)	Special Advisers
MA/CDS	D PDR(S)	DA – Paris
PS/PUS	DJC(Pol)	No 10 – Sir Nigel Sheinwald
PS/VCDS	DCT&UK Ops	FCO – Geoffrey Adams
PS/CDP	HDES	UKDELNATO – Sir Peter Ricketts
PS/S+T Director		

SECRETARY OF STATE'S MEETING WITH FRENCH DEFENCE MINISTER MADAME ALLIOT MARIE – 30 JULY 2005

A useful meeting, with the emphasis on relationship building and atmospherics. Agreement that the UK and France should bring negotiations on Renegade Aircraft to an early conclusion, and that the two nations should explore potential parameters for the relationship between the EU and NATO. Agreement that industry should press ahead with final proposals for cooperation on aircraft carriers.

1. The Secretary of State was grateful for the briefing for this meeting prepared by Stephen Shelley. Madame Alliot Marie (MAM) was accompanied by Besancenot, Dupont, Cesari, (from the Cabinet), Jean D'Amécourt (Policy Director) and M. Corre (International Press Adviser). The Secretary of State was supported by yourself, DA Paris, myself and Steve Bates, Special Adviser.

Counter Terrorism

2. MAM began by noting that we were meeting at an important time for the two nations. France was and would remain at the UK's side in the battle against terrorism. She offered the UK every assistance whether it be in the field of defence or the responsibility of Interior Ministers. This was also an important moment because of the unstable world in which we lived. UK and French forces were together in Afghanistan and the Balkans, and countering terrorism at sea. Our forces helped each other through the exchange of

professional expertise and information. John Reid responded that with regard to the terrorist attacks in London, events were moving very quickly. There had been four arrests in relation to the second bombing, including one in Rome who may have travelled through France. This illustrated the international nature of all terrorist problems. Military means were one necessary component of the campaign against terror, but they were by no means sufficient on their own to counter the threat. He believed that the effort required would now be as deep and as long as the Cold War and involve economic, political and cultural strands to the campaign as well as a military response. He noted that the UK and France were working towards an agreement on handling Renegade Aircraft. MAM responded that she was sure the two nations could finalise a common plan. She was aware that the UK preferred a Memorandum of Understanding and she agreed that a Memorandum of Understanding formulation would be sufficient, so long as it provided legal protection for French Military Personnel in the case of damage caused by military activity. The Secretary of State agreed that this was sensible and the Ministers issued instructions for officials to bring the negotiations to a close on this basis as soon as possible. **(Action: DCT&UK Ops)**

EU/NATO

3. MAM noted that this was also a critical moment in the European Project. However the crisis generated by "no" votes in two referenda would not affect ESDP where Europe would continue to advance. France believed NATO and the EU were complementary. It was often overlooked that France was the largest contributor of troops to NATO operations and had held command recently in Kosovo and Afghanistan. France wanted NATO to adapt to the new strategic environment. The United States had been urging Europe to raise its game and improve capability since the time of President Kennedy. This was exactly what Europe was doing through ESDP. There was a need to establish the principles of complementarity. The EU would be good at some types of crisis and NATO at others. The EU Battle Group initiative pointed the way - Europe was best suited to smaller scale rapid reaction, time-limited operations, whereas NATO with its more deliberate decision-making processes and larger mass was better suited to large-scale longer-term interventions. The recent history of EU deployments for example in the DRC and the Balkans demonstrated this. The EU should accept engagements for limited periods for say three to six months. The EU also had a clear role to play when missions needed to transition towards a civil focus by use of the gendarmerie as replacement for the military deployment. It was also necessary to take into account the wishes of the local population and the human dimension in conflict resolution. The EU would be more likely to achieve results where it had previously had strong political links or a long-term relationship with an area.

4. John Reid responded that when the UK and France agreed on the future of Europe and ESDP, they could have a substantial influence on the whole of the EU. It was sensible to acknowledge our slightly different approaches on some issues but also to recognise that the EU and NATO were mutually compatible. He agreed that there were times that the US would wish to be involved and others when it didn't, when the EU would do the job.

The UK was extremely keen to use its Presidency to build up ESDP based round the themes of capability, coherence and activity. John Reid set out our Presidency Agenda under these headings in standard terms.

5. John Reid said that it was in everyone's interest to agree how the EU and NATO might complement each other. At either extreme of the spectrum it would be easy to decide which organisation was most appropriate. We might however do some thinking about how the organisations fitted together where crises fell somewhere in the middle of the possible spectrum. Historical relationships could be an advantage but might equally be a problem, for example the former colonial powers in Africa or perceptions of US neo-colonialism. The key from his perspective was the need for an honest EU/NATO political dialogue so that the two organisations could compare their assessments, exchange information and understand each other's positions at an early stage. We should not be hamstrung by doctrinal differences, but look at each case jointly and in a practical fashion. We also needed to recognise that we possessed only one set of forces and we needed to work to maximise the capability of those forces to achieve ends through various organisational means. It might be possible to lay out French and UK thinking on this and carry discussion forward that way. MAM responded that she agreed that we should look for pragmatic solutions. There would also be a lot of conflicts where neither the EU or NATO would be involved or in the lead. In Africa, where problems tended to be generic rather than nation - specific, they would be reluctant to accept either a NATO or an EU lead and the Africans themselves would solve issues like Darfur. There might be issues where the EU alone wished to intervene, and we needed capabilities to do that, recognising that there would be a limit on the maximum size of EU operations. Europeans were not spending enough on defence. France supported the broader aims of the UK Presidency which would be carried forward with the Austrians and the Finns and agreed that it would be useful if France and the UK did some bilateral thinking on the EU/NATO relationship. **(Action: Policy Director to take this forward with D'Amécourt)**

European Defence Agency

6. In the context of improving ESDP capabilities, MAM noted that the EDA would have an important role to play. John Reid agreed and hoped that the UK could suggest some fresh ideas for EDA cooperation (Note: making our proposed joint research initiative in guided weapon technology into an EDA category B project and seeing whether other high-priority areas of common interest that the Framework Agreement nations have identified through the Agency – for example robotics and automated systems, electrical fuses, information and data fusion technics and infrared sensors - could be handled the same way. Although all these items were not explicitly mentioned at the bilateral meeting, I have written to Besancenot proposing them and he has indicated orally that France is in favour of this initiative). **(Action: Director S&T to take forward in time for 13 October EDA Steering Board).**

Carrier Cooperation

7. The Secretary of State noted the Joint Report by National Armament Directors indicated that industry was being tasked to examine the more

extensive forms of cooperation. Industry needed to be encouraged one last time to demonstrate to us whether this cooperation could be undertaken without risk to both nations' programmes. From the UK perspective we had to ensure that there was no delay to our programme, both because of the operational need and the need to retain particular skills in UK shipyards. MAM commented that we had an opportunity to achieve symbolic cooperation on CVF. We should press industry for one final effort to find savings, France needed her carrier in 2012/13 in order to cover the major refit of "Charles De Gaulle". Part of the problem was that industry knew we needed the carriers early and so it was trying to drive a hard bargain with Governments.

Future Strategic Tanker Aircraft

8. John Reid explained the complex and sensitive negotiations concerning the Private Finance Initiative contract which we were finalising with the company. He was aware that some French officials felt that the UK was not doing enough on cooperation for this project, but we had to concentrate on getting our contract right. Once the negotiations were completed, he undertook that UK officials would engage fully with their French partners setting out the lessons learned, so that France could benefit from UK experience should it wish to follow the same procurement route. Madame Alliot-Marie said that France needed her tankers in 2008/09. This was France's first ever PFI project. It was very new ground for them and she was grateful for the Secretary of State's offer.

Rolls Royce Engines for FREMM

9. The Secretary of State said that the Rolls Royce bid had been revised to be clear and competitive. He urged MAM to ensure that her officials were clear that the bid was being accurately reflected to them by industry. It would be a shame for perceptions of European defence co-operation if the Franco-Italian Frigate Project ended up with United States engines. MAM responded very directly. Industrial decisions would be made very soon. She had done all she could to help Rolls Royce, but had told Geoff Hoon in a previous meeting that the price was simply not competitive. Rolls Royce had been told they needed to try harder, but the revised prices were still too high. MAM had reopened the competition after the last Anglo-French Summit in London, when Rolls Royce had already lost. However, the Rolls Royce solution was still too expensive and too sophisticated. It was now up to industry to make the final decision. The French Government had done as much as it could. John Reid commented that he would leave this for now, as long as MAM was content that the Rolls Royce bid was being properly reflected to the customer by the prime contractor (Comment: this was an extremely blunt message from MAM. The project does not seem interested in a cutting edge solution with through-life cost advantages – up front unit price is more significant. Rolls Royce will lose unless they can produce a dramatically better best and final offer in very short order. **(Action: HDES)**

Afghanistan

10. MAM said that France was engaged in Afghanistan and would stay engaged. Their forces were focussed around Kabul and Special Force

Operations in the south near Kandahar. The North and West of the country were calm but narcotics were a problem all over Afghanistan. The local economy had been completely destroyed by the War and the Taliban and there was a need to rebuild, not just with large projects, but also with lots of local projects run through the UN Food and Agriculture Organisation. Gradually this would raise production, raise prices and eventually begin to substitute for drugs as a livelihood. Health and education also needed development, especially to improve the position of women. She considered the situation in Kabul to be very fragile. There were regular rocket attacks and the risk of kidnap and bombings. The large transient population in Kabul made security very difficult. France therefore intended to keep their effort focussed in Kabul, commanding that zone in conjunction with Turkey.

11. The Afghan National Army needed building up. It wasn't too bad in the south and had proved disciplined and was behaving as a national asset, attuned to the needs of the entire nation. The police force was an entirely different story and possessed virtually no capability as yet. France considered that one solution might be to create a gendarmerie in order to combine the application of military discipline to the achievement of police tasks. There was a high level of attacks in the south and east by individuals trained and supported by the Madrassas of Pakistan. These were Afghan, Pakistani and Arab fighters. Security in these regions was a real problem. All involved needed to exert pressure on Pakistan to control tribal leaders. MAM was critical of the US approach to the insurgency. They were often letting terrorist suspects go, only catching and keeping those who were on a specific wanted list.

12. John Reid said that he had met President Karzai the previous week and had agreed with him that something had to be done to stiffen Pakistani resolve. Although there were problems, we had to bear in mind that Musharraf was trying hard and being personally courageous in taking the position as far as he had. The Prime Minister had spoken to him again recently following the London bombs. There was no doubt that Pakistan was the source of paid assassins in Afghanistan. On the other side the coin, the improvement of the Afghan economy would depend on improving economic relationships with Pakistan as well. John Reid had also told Karzai that he needed to give the political lead on counter-narcotics. It was a dilemma with the forthcoming elections, because the drugs industry might end up with representatives in Parliament – but politics meant that people tended to act less forcefully just before elections. Even people engaged in innocent legal activity might end up dependent on drugs money, because it was such an extensive underpinning for the whole economy.

13. The UK was seeking to achieve a comprehensive approach to the Afghanistan campaign bringing together counter-narcotics, counter-terrorism, economic developments and alternative livelihoods. John Reid had recently told Donald Rumsfeld that it was not sufficient simply to chase and shoot a few Taliban and then leave. If the US army did that, within five years Afghanistan would revert to being a narco-state and provide ungoverned space from which terrorists could again launch attacks on the West. He hoped that Rumsfeld was beginning to appreciate that the US needed to help with counter-narcotics as an integral part of the overall campaign. It was also

necessary for Karzai to get a grip on the chaotic counter-narcotics bureaucracy which was being created in Kabul. Karzai had said he would personally chair a Counter-Narcotics Group once a month. There might be three levels to the campaign, first neutralizing those local governors who were mixed up in drugs and focussing them on legitimate economic development; second, moving against the drug dealers which would make the south and Helmand province in particular more dangerous; and third helping the farmers who had no alternative livelihood as yet.

14. We needed to move forward conscious of the US worry about the wider campaign watering down the CT effort and the European worry about becoming involved in high-intensity conflict with a narrow focus under the US. He believed that these tensions could be managed within a single mission. The UK would put the HQARRC into Afghanistan in May 2006 with this aim in mind. We would also go into Helmand province in Battle Group strength, around 2500 troops, together with Canada, the Netherlands and the US. He believed that by bringing the missions together, extending NATO's authority to the south and showing that we could tackle narcotics as an integral part of nation building, then this could be an influential deployment to demonstrate the way forward to a stable and sustainable Afghanistan. John Reid hoped that France supported these aims. MAM said that she agreed with the whole of the analysis that John Reid had put forward, but would add one further factor, which was that we needed to move extremely quickly. It would be much harder to act after the election when corrupt Governors and drugs traffickers might consolidate their position and be influencial in the Afghan Parliament able to frustrate NATO and the coalition.

Other Business

15. In the margins we established that MAM shared the UK desire to see effective reform of NATO Headquarters. It was also agreed that MAM and John Reid would co-author an article on ESDP to be published simultaneously in the Times and Le Monde. **(Action: Special Adviser to lead on drafting with M. Le Corre)** We conveyed the latest position on the NERAC case. And Policy Director discussed with D'Amécourt shortfalls in NRF 7 and 8 which needed to be rectified, perhaps by applying pressure on fellow EUROCORPS countries.

JCS Baker

J C S BAKER
PS/Secretary of State
MB FLOOR 5, ZONE D, 82111 MB
DII: SOFS-Private Office
SOFS-Private Office-S

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

MATRIX

AP
cc. NS.
DQ
JPo.

Ian Pearson MP
Minister of State for Trade, Investment and Foreign Affairs
Foreign and Commonwealth Office
London SW1A 2AH

29 July 2005

Dear Ian,

Thank you for your letter of 21 July, seeking my agreement to ECGD continuing to provide support to BAE Systems in respect of the Al Yamamah (AY) defence programme for up to two years from 1 September 2005.

2. I accept your judgement that continuing ECGD support for AY, subject to the conditions you have set out, is in the best interests of the UK. That said, we must also continue to make progress in gradually reducing EGCD's substantial exposure to Saudi Arabia, in order to protect the public finances and ECGD's long-term financial viability. The premium rate and cover structure for AY should support this goal.

3. As in previous years, I have asked Treasury officials to agree a rate with ECGD colleagues, and our officials should now move swiftly to settle this.

4. I am copying this letter to the Prime Minister, Jack Straw, John Reid, Alan Johnson, Lord Drayson and Sir Andrew Turnbull.

Yours ever,

DES

DES BROWNE

FILE

RESTRICTED – SENIOR STAFF

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 July 2005

Dear Chris

APPOINTMENT OF NEW FIRST SEA LORD

Thank you for your letter of 21 July.

The Prime Minister is content with the recommendation that Admiral Sir Jonathon Band should take over from Admiral Sir Alan West. So the way is clear for you to seek The Queen's approval.

Yours,

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

MINISTRY OF DEFENCE
FLOOR 5 ZONE D MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone 020 721 89000
Fax: 020 721 87140
E-mail: defencesecretary@mod.uk

SECRETARY OF STATE

MSU 7/4/1/4J

22 July 2005

cc: M Oates
Quite Dominated
sp
NS
28/7

Dear Anthony,

ANGLO FRENCH CARRIER COOPERATION

John Reid to visit Madame Michèle Alliot-Marie in France on 30 July. Discussions include aircraft carrier cooperation. Joint analysis of industries' proposals by National Armament Directors shows there is a good prospect of low risk industry to industry cooperation on common systems and equipment with savings of up to £50million. Proposals from industry for more intensive cooperation have been presented but the benefits identified by industry are limited and carry considerable risk. National Armament Directors will task industry to make a final set of proposals by the end of September, making a business case for more intensive cooperation. John Reid will aim to agree with Madame Michèle Alliot-Marie that the further report from industry is available by September in order to allow Governments to take a definitive view on the appropriate level of cooperation in the autumn, in a timescale sufficient to protect the all important Main Gate decision in the UK.

Further to Ian Forber's note of 28 June 2005, the UK and French National Armament Directors have now assessed the report made by industry on potential cooperation on their respective carrier programmes. I attach a copy of the Joint Report to Ministers by the National Armament Directors. Industry have identified three options of increasing cooperation. A relatively low risk option for making the CVF design available to France together with procurement of common systems and equipment could form the basis of a UK-French cooperative solution for aircraft carriers. Industry has confirmed this might produce savings of up to £50million. Despite encouragement and additional opportunities offered by the UK and French Government, industry has failed to make a robust business case for a high degree of cooperation

Anthony Phillipson Esq
10 Downing Street

(options 2 and 3 in the attached letter). Informal estimates mentioned by industry for higher level savings which could arise from greater commonality and procurement at around £300million have not been adjusted for the higher risks that would be incurred. Industry's proposals for incentivising them to maximise cooperative opportunities appeared to transfer an unacceptable level of risk to the UK and French Governments which would probably further reduce the levels of savings achievable. Industry has identified that their proposals would delay the UK CVF Main Gate decision until Autumn 2006, some six to nine months later than our current plan, which would have a corresponding impact in our in service dates and delay the capability.

The National Armament Directors have agreed that they should task industry one last time to produce more robust proposals to make the case for higher level cooperation. These proposals need to take account of the UK's pressing need to ensure that a mature Main Gate Business Case is ready for approval at the end of 2005. We need to link timing of any announcements of our Main Gate decision on the carrier with promulgation of the overall Defence Industry Strategy, because CVF is such a critical component of it.

Whilst the French are thought to favour the higher level of cooperation, they are assessed as unlikely to wish to cooperate if Option 1 is as much as can be achieved, French funding is known to be fragile and support for a carrier is not universal in French MOD. We believe Madame Alliot-Marie is being advised that a national fallback solution (known as Juliette) gives them a lower cost solution than option 1, that readily meets their requirement. John Reid therefore proposes to encourage Madame Alliot-Marie to allow the final phase of industry to industry discussion to mature in October, at which point we will be in a position to make firm decisions on the most appropriate level of cooperation, which addresses the requirements of each country and the risks of adapting closer collaborative arrangements. In discussions with Madame Alliot-Marie, we will need to emphasise that cooperation only makes sense if it makes cost savings and does not compromise either French or UK timescales.

I am copying this letter to Geoffrey Adams (FCO), Matthew Hilton (DTI), Dan Daniel Rosenfield (HMT) and Sir Nigel Sheinwald.

Yours ever

Chris

J C S BAKER
Private Secretary

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE DE LA DÉFENSE

DGA

DÉLÉGATION GÉNÉRALE
POUR L'ARMEMENT

DPA
Defence
Procurement
Agency

CDP/115/17/1
180 677 /DGA/D

19th July 2005

Secretary of State for Defence

UK-FRANCE AIRCRAFT CARRIER CO-OPERATION

Further to our letter to you of 6 May, we are writing to update you on the progress made by industry and the way ahead now for the possible areas for co-operation on our respective carrier programmes.

UK and French industries were tasked to propose possible areas for co-operation whilst preserving our respective national programmes and timelines. Industry have confirmed the technical feasibility of the CVF design being capable of adaptation to meet French requirements, and specifically concluded:

« The CVF is technically a suitable candidate to form the basis of France's second aircraft carrier PA2. Adaptations to the CVF design to meet more closely the French requirements have been identified and categorized into CVF generic design evolutions and French specific adaptations. CVF is suitable for the operation of RAFALE and E-2C ».

DGA, DPA representatives and experts from both Navies have been deeply involved in this work in a really constructive way. A much better common understanding of the design and related operational aspects has been obtained ; some modifications of the current CVF design have already been jointly identified in order to facilitate its adaptability to meet the CV requirement. DGA and French industry have tabled some additional proposals that are being considered by the UK and that could form part of the generic design.

The options specifically identified for possible co-operation are:

Option 1: common procurement for major items based on same generic CVF design but with separate national detailed design and build programmes;

Option 2: shared detailed design/procurement;

Option 3: shared detailed design/procurement and build.

On the one hand, option 1 offers low risk but low financial savings for the UK and could be more expensive than a national solution for France.

On the other hand, concerning option 3, Industry has estimated the possible savings of some 430M Euro. But this value is not associated with any precise industrial and contractual arrangements so that no assessment of the real amount of possible savings and associated risks is possible so far. At this stage, it represents circa 6% of the combined UK and FR budgets for these programmes. Actual savings will depend on the depth and effectiveness of the collaboration on industrial and government side, and on our ability to manage the opportunities and risks.

However, considering cost beyond the political benefits, Industry has so far failed to make a business case for co-operation beyond option 1.

We have considered what further work will need to be done with industry to provide clarification of cost, risk, and possible contractual arrangements in order to inform Ministers by October. Important work has still to be done on options 2 and 3 to explore completely the opportunities and assess the risks ; it will require evidence of real commitment from industry.

.../...

We recommend to Ministers that they note the progress made in the technical and interoperability aspects, the feasibility of option 1 and that further proposals to establish the possible area for co-operation are being addressed with a view to reporting further in October 2005.

François Lureau
Délégué général pour l'armement

Sir Peter Spencer
Chief of Defence Procurement
& Chief Executive DPA

cc NS
JP

MINISTRY OF DEFENCE
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Letter out 29/7

SECRETARY OF STATE

Yes - as expected.
NS

MSU 10/14/1C

21 July 2005

① NS 25/7/05
② JP then ③ me
OK?

Dear Antony,

APPOINTMENT OF NEW FIRST SEA LORD

The Secretary of State has agreed the recommendation of Admiral Sir Alan West that Admiral Sir Jonathon Band, currently Command-in-Chief Fleet, should take over from Sir Alan as First Sea Lord at the beginning of February 2006. I attach Admiral Band's record of service. In recent years he has divided his time between the Ministry of Defence and Fleet Headquarters which gives him an excellent operational as well as policy background. The First Sea Lord has commented on the very strong relationships which Admiral Band has forged with NATO allies during his time as Commander-in-Chief Allied Naval Forces North.

I should be grateful if you could seek the approval of the Prime Minister for this four-star appointment. Thereafter we will seek the necessary approval from Her Majesty The Queen.

Yours ever
Chris

J C S BAKER
Private Secretary

Antony Phillipson Esq
10 Downing Street

SKP 25/7/05

ADMIRAL SIR JONATHON BAND KCB

Promotion dates:	Admiral	2 August 2001
	Vice Admiral	11 January 2000
	Rear Admiral	7 May 1997
	Captain	30 June 1988
	Commander	30 June 1983
Specialisation:	Warfare	
Age on Appointment:	56	
Academic Qualifications:	BA(Hons)	Exeter
Major Military & Career Courses	1995 Higher Command and Staff Course	
	1985 Joint Service Defence College	
Current Appointment:	Commander-in-Chief Fleet Commander Allied Naval Forces North	

Previous Appointments:

2001	Deputy Commander-in-Chief Fleet
2000	MOD as Team Leader Defence Training and Education Study
1997	MOD as Assistant Chief of the Naval Staff
1995	Commanding Officer HMS ILLUSTRIOUS
1995	Higher Command and Staff Course
1993	MOD for duties with Defence Costs Studies Secretariat
1991	MOD for duties with Assistant Chief of Defence Staff Programmes as ADNPWS
1989	HMS NORFOLK in Command and Captain 9th Frigate Squadron

Reference: Policy

~~1. AR~~
2. Mike

FCS/05/150

HOME SECRETARY

NS
cc: AP
GW
BK

Private Military and Security Companies

Summary

1. **Following an official level review (copy enclosed), I have concluded that we should pursue the regulation of UK private military and security companies engaged in overseas markets.**

Detail

2. Before we came to power in 1997, the Labour Party took the important decision to regulate the domestic security industry. We have successfully taken forward this policy commitment, through the Private Security Act of 2001, by establishing the Security Industry Authority (SIA). The SIA is already proving a notable success. It is winning the confidence of the industry, and is proving an effective regulator of the domestic security sector.

3. However, the overseas activities of private military and security companies incorporated in or operating from the UK remain unregulated. This legislative gap is now causing concern. Over the past two years, in the changed security context, there has been a large increase in the number of UK companies operating abroad. The majority are providing important support to the international security and reconstruction effort in places such as Iraq and Afghanistan through the provision of guarding, training, intelligence co-ordination and other services. There is considerable further scope for private sector involvement, in support of UK policy objectives, in security sector reform in these and other countries. Meanwhile, allegations

of involvement by UK business interests in a coup attempt in West Africa last year suggest that parts of the private military industry still maintain less worthy ambitions.

4. Taken together, these developments highlight a serious anomaly. Unlike the UK's domestic security industry or the export of weapons and sensitive technologies, the export of military and security services is subject to no direct controls. Indeed, a number of the major companies in this field are themselves now pressing for government regulation as a means both of guiding and acknowledging their contribution to the international effort, and of distancing the more reputable parts of the industry from the tag of 'mercenary.'

5. There may be a role for self-regulation. We should therefore continue to follow closely the efforts to form a trade association and to agree a voluntary code of conduct. But, given the widening span of overseas activity of private military and security companies operating from the UK, I believe it now time to move towards a clear legislative framework for such operations. This would reduce the risk of UK companies engaging in the type of activity which might embarrass HMG or run contrary to our foreign policy interests and reinforce a trend towards the establishment of a more reputable industry.

6. I propose therefore that we introduce primary legislation to create a twin-track regulatory system with the following elements:-

a) licensing of contracts (paragraphs 25-36 of the review paper)

Legislation would define a list of military and security services for whose provision abroad a company or individual would require a government

licence. Decisions on licence applications would be based on criteria closely aligned to the Consolidated Criteria for export licences. Breaches of licence conditions or evasion of the licensing requirement would be subject to criminal sanction.

b) a register of contractors (paragraphs 17-19 of the review paper)

A register of 'authorised' contractors would be established. Registration would be mandatory for companies intending to provide overseas any military or security service for which a licence was required. Criteria for registration would be set out in legislation. Registered status would be reviewed regularly, and would be revocable on evidence of a lapse in standards.

7. I acknowledge that the establishment of a regime on the above lines presents challenges. Complex issues of definition, regulation, resources and enforcement need to be resolved. Any licensing or registration system will require clear criteria to ensure that HMG is well placed to defend its decisions under judicial review. And we shall need to be well prepared to overcome a range of practical difficulties if we choose to make private company activities abroad subject to criminal sanctions in the UK. Questions relating to extra-territoriality, and to on-site investigation, evidence and enforceability, will have to be addressed.

8. I accept too that there will be resource implications across Whitehall, some of which are summarised in annex A of the paper. Given recent trends in the sector, our estimate is that 20 to 40 companies will seek registration and that there will be 150 or more applications per year for contract licences, including open licences.

9. We shall also need to consider which Department or Agency is best placed to act as regulatory authority (Annex B of the paper). The SIA's experience in establishing a register of approved contractors in the domestic industry should prove of clear relevance to the registration of companies with an overseas focus. Indeed, given that some contractors are active in both the domestic and overseas spheres, a single register would seem logical. I should therefore be grateful for your advice on the extent to which the Authority would feel able, with assistance from the FCO and other government departments, to extend its role to the regulation of private military and security services outside the UK.

10. I am copying this letter to Gordon Brown, John Reid, Geoff Hoon, Hilary Benn,Alan Johnson, Sir Nigel Sheinwald and Sir Andrew Turnbull.

Jack Straw

JACK STRAW

Foreign and Commonwealth Office

18 July 2005

THE REGULATION OF PRIVATE MILITARY/SECURITY COMPANIES

THE CHANGING FOCUS OF ACTIVITY

1. In the 1990s, the activity of Private Military Companies (PMCs) such as Executive Outcomes and Sandline centred on freelance operations, usually at the invitation of rulers of African states where the military of the US, UK and others did not much wish to get directly involved. Now, in the post-11 September world, in Iraq in particular, organisations which style themselves Private Military Companies or Private Security Companies (PSCs) play a vital role in support of allied military activity by providing for instance:- guards for diplomatic representations and aid activities; guards for key static sites e.g. ports, railways, oil plants; training, often under allied government sponsorship.

2. It is also increasingly difficult to make to make a clear distinction between PMCs and PSCs, terms which are often used interchangeably and without precision. Functions nowadays tend to overlap. For instance, DSL is involved in both security and crime prevention services and in military advice and training. Other self-styled PSCs have been drawn into anti-piracy assistance, a task which equally might be undertaken by a PMC. Hence regulation should focus on a company's activities rather than on how it categorises itself.

3. Some of the PMCs/PSCs most closely engaged in Iraq, and some commentators too, argue that western governments can now treat such companies as partners rather than as a potential source of embarrassment. There is after all safer money to be made from legitimate contracts in Iraq or Afghanistan than from dubious coup attempts in Africa. Against this background, leading UK- based PMCs/PSCs are arguing strongly for a form of regulation which focuses on the licensing of a company to offer a specified range services in a number of countries, or on the establishment of an approved list of such organisations on the basis of their general record of probity and good management. Such a system would acknowledge their contribution to HMG's policy objectives without restricting their commercial freedom.

4. But, as last year's events relating to Equatorial Guinea highlighted, there is still plenty of scope for the less reputable breed of private military outfit to cause HMG embarrassment. This paper, therefore, also examines the practicability of an alternative, more focussed, licensing regime which would enable HMG to scrutinise individual contracts.

THE RELATIONSHIP WITH HMG

5. HMG's use of PMCs/PSCs is relatively limited. We have not sought to emulate the strong ties that the US government has developed with selected companies, e.g. MPRI and DynCorp, which in effect serve as licensed instruments of US policy in regions such as the Balkans and the Middle East. However, in recent years the FCO and DFID have made growing use of the services of PMCs/PSCs, e.g. for the guarding of personnel and buildings,or for the provision of expertise

on the development of police and judicial systems. This trend is likely to continue. And the MOD has in recent years outsourced aspects of military training and logistical support services (including communications) to private contractors.

CONSIDERATIONS FOR FUTURE POLICY

6. Future UK policy regarding PMCs and PSCs should take account of the following considerations:-

- The importance of preventing UK-based PMCs and PSCs from engaging in activities which run contrary to HMG's foreign policy interests or which could reflect badly on the UK's reputation. Commercial activity in the military/security field could have implications which go far beyond those of normal commercial transactions, e.g. in its impact on human rights, or on the stability of a country or region. We should therefore examine how we can complement the measures currently at our disposal (e.g. political leverage, claiming UK jurisdiction post hoc in the case of some criminal activities).

- The need to ensure that the operations of PMCs and PSCs are consistent with internationally accepted standards, e.g. human rights, humanitarian law.

- The desirability of establishing clear guidelines for PMCs/PSCs, and of helping establish a more respectable industry which could be of growing benefit to HMG (e.g. in pursuit of security sector reform and defence diplomacy objectives), international organisations and NGOs.

7. Important elements in the UK industry are now pressing for government regulation of the sector. We should seek to build on this sentiment by working with the industry, and other stakeholders (e.g. ICRC) to formulate a regime which, as far as possible, safeguards HMG's interests and concerns, as set out above, whilst not undermining the pursuit of legitimate business.

UNDERLYING LEGAL ISSUES WITH REGULATION

8. Any attempt to regulate by law PMC/PSC activities carried out abroad, and make them subject to criminal sanctions in the UK, is likely to be fraught with practical difficulties, particularly with respect to the need to obtain evidence sufficient to justify a prosecution. For instance, no prosecution has ever been brought under the Foreign Enlistment Act of 1870.

9. If a licensing system were to be instituted, any adverse decision on an application, whether relating to a company licence or to an individual contract licence, would be vulnerable to judicial review in the courts. Clear criteria for refusal or revocation would need to be published. And, as already happens with arms export licence applications, the government would need to ensure that all decisions were fully and carefully reasoned to avoid them being quashed in judicial review proceedings. This process is likely to be resource-intensive.

10. There is also the problem of deciding how such activities should be treated in international law and what impact this will have on attempts to legislate for such matters domestically. The increasing use of PMCs/PMCs by governments and international organisations to carry out what were traditionally military roles has highlighted the question of the legal status and responsibilities of such organisations and their employees. Those in the academic and military communities are now questioning how the use of civilians in this way affects the rules of international humanitarian law. Since these rules are set out in widely ratified international agreements, it is doubtful whether the UK alone can legislate on these matters.

OPTIONS FOR REGULATION

OPTION A: SELF- REGULATION

11. Under this scenario, companies in the private military and security sector would form a trade association. The association, in consultation with its members and their clients, and with government and NGOs, would set up a code of conduct to which members were obliged to adhere. The code might cover respect for human rights and international law, and transparency (e.g. a commitment to grant access to monitors).

12. Such an arrangement could only have limited regulatory effectiveness, particularly if membership were restricted. There would be no legal framework for government intervention, and the association itself would have no disciplinary powers apart from expulsion. Indeed, some commentators – and some in the industry itself – would argue that reliance solely on self-regulation would amount to an acceptance of the growing marginalisation of the state, which should remain the primary security actor.

13. However, a trade group of this kind, with a charter setting out good practice, could provide useful underpinning to a government regulatory mechanism, particularly if it were along the lines of, or in close partnership with, the British Security Industry Association which represents the domestic industry. Such a body could serve as a focal point for HMG's contacts with the industry. It could also perform useful regulatory functions, e.g. the compilation of a register of personnel, at least those recruited in the UK and third countries (e.g. South Africa) by PMCs/PSCs which are registered or based in this country, and by their subcontractors.

14. And, in parallel to the establishment of the trade association and code of conduct, we should encourage the more reputable companies to adhere to established codes of practice, covering the conduct of overseas operations, corporate governance, and responsible business practice. For instance, PMCs/PSCs, even if not multinational companies themselves, could be urged to subscribe to the OECD Guidelines on Multinational Enterprises.

OPTION B: GOVERNMENT GUIDELINES

15. Companies could be asked to sign up to guidelines on good practice drafted by HMG. These might include an undertaking not to breach international law or

sanctions regimes, or knowingly to operate in a way which violates human rights or undermines internal or regional stability They might also incorporate pledges to respect local laws, and to maintain specified standards of vetting, training and technical proficiency.

16. A voluntary code of this kind could give HMG a clearer basis for its relationship with the industry. For instance adhesion to the guidelines would be a prerequisite for obtaining UK government contracts, an attractive incentive for reputable companies. However, in the absence of any legal sanction, errant companies would either exploit convenient loopholes, or simply not sign up.

OPTION C: APPROVED CONTRACTOR SCHEME

17. Major PMCs/PSCs have been pressing HMG to introduce a register of approved military and security contractors operating overseas, along the lines of that being established by the Security Industry Authority (SIA) for the domestic security industry. They propose that, in order to obtain approved status, a company would be required to submit for scrutiny its accounts, vetting, training and employment policies, ethical criteria for accepting contracts, code of conduct for employees etc. In practice, though, the regulating authority would wish, in addition, to take full account of the history and track record of both the company and its directors, and also of the nature of its subcontractors. The receipt of approved status would give public recognition to a company's bona fides (and thus incidentally enhance its commercial credibility).

18. Companies such as ArmorGroup, along with some parliamentarians, have argued that regulation of contractors with overseas interests can easily be achieved through an amendment to the Private Security Industry Act (PSIA) of 2001, which would bring these companies under the regulatory umbrella of the Security Industry Authority. However, the SIA has no expertise in hard security issues, or in overseas operations, or indeed in the licensing of contracts (paras 25-36 below). Nor does its current remit extend even to Northern Ireland. It would be reluctant to take on additional responsibilities except on the basis of the processes and criteria it uses for the regulation of the domestic industry.

19. The PSIA established two regulatory instruments. The SIA is in the course of establishing a voluntary register of approved contractors in the domestic industry. This could certainly serve as a useful model. However, in the case of companies offering military and security services overseas a mandatory format would more effectively safeguard HMG's interests. The other instrument employed by the Authority – the licensing of individual security operatives in England and Wales (e.g. security guards, wheel clampers) – can less easily be extended to companies which employ large numbers of non-UK nationals in their overseas operations. (For instance, a UK company, Erinys, in late 2004 was employing 14,000 Iraqis, mainly as armed guards for oil facilities). However, a trade association for the industry might feel able to take on the registration of UK and third country nationals employed by such companies (see para 13 above).

OPTION D: GENERAL LICENCES FOR PMCs/PSCs

20. An enhanced form of the approved contractors scheme might involve the issue of company licences. A company, incorporated in or operating from the UK, would receive authorisation to perform abroad a defined range of military/security activities, perhaps across a specified list of countries. The licence might also set out the standards the company would be expected to meet e.g. in terms of staff vetting and training, and respect for human rights standards and humanitarian law.

Safeguards and Regulation/Enforcement Issues

21. However, as the Green Paper noted, a regime based on the regulation of companies, whether through a register of approved companies or a licence scheme, would, on its own, do little to protect the public interest. The more public- minded part of the industry would indeed receive the respect it craves; but there would be no mechanism whereby the government could maintain close supervision of company activities through scrutiny of specific proposals for overseas activity. Indeed, HMG, by issuing a company licence (or approved status), would risk giving the appearance of official approval of activities of which in practice it had neither control nor prior knowledge. And less reputable companies, at least those with no significant fixed assets and no ambition to secure prestigious corporate clients, might seek to avoid regulation by relocating or re-branding themselves.

22. Of course, the government could seek to build in safeguards, but these would not be foolproof. A company licence, for instance, could be issued subject to periodic (e.g. annual or biennial) renewal, so that the company's record, and its permitted range of licensed activities and geographical range was regularly reviewed. (In such a fast moving industry, companies continually seek to diversify their activities; however some might complain that licence renewal on an annual basis could undermine a UK company's bid for a longer term contract). The granting of a licence could be made conditional on the company signing up to a Code of Conduct; this might include undertakings to consult and notify HMG of planned operations, and to do nothing which runs contrary to HMG's foreign policy interests. And, to counter the ease with which a small private military/security company can evaporate and recreate itself under new name, sanctions for the breach or evasion of licensing requirements should be directed at individuals (e.g. company directors), as well as at corporate entities.

23. But, even with these precautions, there would remain a risk that HMG could be associated with activities over which it had no control.

24. And there would remain other practical issues to consider:-

a) Scope of the regulation: we should encounter problems in trying to define a private military or security company for the purpose of the legislation. The law's focus would need to be on the regulation of companies which carry out certain types of activity. We might for instance stipulate the need for a licence if a company wishes to perform overseas any of the activities listed in paragraphs 28 and 29(below). In this way small-scale security consultants specialising entirely

e.g. in prison security fittings and procedures could be made exempt. However, we should need to monitor the sector closely, so as to be aware of companies newly engaging in the types of activity we wish to regulate. And we should need to consider how the regulation would cover self-employed individuals who offer, for instance, personal protection services.

b) Non-UK companies: the regulation will need to ensure that companies registered elsewhere, but in practice using the UK as their base for operations or having representative offices here, cannot exploit their offshore status as a loophole through which to avoid compliance. Such companies may well be owned by UK expatriates, and are likely to employ UK nationals in overseas operations. (However, we should bear in mind that companies incorporated in the US or South Africa will already be subject to national regulation).

c) Criteria for issuing a licence: we need to minimise the risk of a successful judicial review application by a company which had been refused licensed (or approved contractor) status or from whom that status had been removed. Hence, it is essential that the government's criteria for the issue, rejection and revocation of licences should be clear, objective and publicly defensible. Particular care would be needed when considering how the history and track record of a company, and its directors, should be taken into account.

d) Enforcement: given that an activity in breach of licence terms would be likely to happen abroad, HMG would face problems of on-site investigation, obtaining evidence and enforceability. Much would depend on the quality of intelligence from the agencies, the availability reports from posts and open sources, the resources which the enforcement agencies (e.g. HMRC) can bring to bear, the level of co-operation from foreign governments, and the extraterritorial powers granted in the legislation.

e) Employment of PMCs/PSCs by UK companies: it is questionable to what extent British companies could be prevented from making use, in operations overseas, of PMCs/PSCs which were not licensed or did not have approved status. We could legislate to the effect that British companies cannot employ such contractors in their operations abroad, but it might be very difficult in practice to prevent them from being used by local subsidiaries of British companies or by subsidiaries incorporated in third countries.

f) Advertising: it would be possible to introduce restrictions on advertising in the UK print and broadcasting media, and on UK-hosted web-sites. However, in the age of easy access to the worldwide web, it would in practice be very difficult indeed to ban all advertising in the UK by unlicensed or non-approved companies.

OPTION E: CONTRACT LICENSING REGIME FOR THE PROVISION OF MILITARY/SECURITY SERVICES

25. A licensing regime covering individual contracts would enable HMG to scrutinise contracts on a case by case basis each in its specific context. The regime would need to cover not only PMC/PSC contracts with other governments and State

authorities, but also those involving non-State parties, e.g multinationals, NGOs, individuals.

26. We should seriously consider harmonising such regulations, as far as possible, with those governing the export of military goods. We shall certainly come under pressure to introduce best practice on export licensing into PMC/PSC regulation; Parliament will doubtless expect similar transparency and power of scrutiny. Modelling the criteria for PMC/PSC contract licences as closely as feasible on the Consolidated EU and National Arms Export Licensing Criteria would give us a code of conduct which we might in time press the EU to adopt.

27. Hence, decisive criteria for PMC/PSC contract applications might be:-

- the risk of provoking, prolonging or being drawn into armed conflicts, or of aggravating tensions or conflicts in the country of destination
- the risk that the exported service might support internal repression or serious violations of human rights and fundamental freedoms
- the risk of provoking or prolonging regional instability e.g. through the exported service being used aggressively or to assert a territorial claim
- the risk of onward delivery of acquired knowledge or skills to an inappropriate recipient
- the risk of breaching sanctions regimes or other international obligations

In addition, other factors would be taken into account, including the reputation, track record, and capacity to deliver of the applicant company and its directors, and the potential effect on the UK's relations with other countries, including the country of destination.

28. A licensing regime would need to cover, at least, all military/security service activities which could have direct lethal consequence or, by significantly raising military or policing capability, could give rise to human rights or humanitarian law concerns. On this basis the following might be subject to licensing:-
- involvement in active combat (strong presumption of denial)
- direct (e.g. logistic) support for active combat (strong presumption of denial)
- armed security of personnel, of convoys and of diplomatic, government, and commercial sites (including recruitment and management of operatives)
- anti-piracy assistance
- any activity with weapons (including military/police training)
- some aspects of unarmed military/police training (e.g. unarmed Special Forces training) which may have lethal consequence, or which involves the potential transfer of sensitive know-how or skills

29. Alternatively, such a regime might be extended to embrace other activities which might be deemed to enhance military capacity, including:-
- other logistics/supply activities for the military
- intelligence/strategic analysis/ technical support e.g. tracking, surveillance, communications security - and training/technical instruction in these fields
- advice on kidnapping
- clearance of mines and improvised technical devices

30. We should aim to ensure that licensing procedures are not unnecessarily heavy. Disruption to MOD's outsourcing arrangements should be kept to the minimum. And, more generally, we should draw on the tools of the arms export regime, e.g. the Open General Export Licence (OGEL) and the Open Individual Export Licence (OIEL). The range of customers for PMC/PSC services may in practice limit the scope for open licensing. However, open licences might be issued for the export of military/security services to specified safe end-users and destinations (for instance major international organisations, EU/ NATO states), or of services connected with the export of military goods for which licences have already been awarded. We may also decide that open licensing should be more generally employed for activities which are unlikely to have direct lethal consequence (e.g. logistics/supply, advice on kidnapping, clearance of mines and explosive devices). Indeed we may conclude that the open licence regime should be extended to the provision of supervised local armed guards, who would anyway be subject to the laws of the country if they shot someone, where they, for instance, provide security against criminal gangs in politically stable environments.

31. Breach of the licence conditions, or evasion of the licensing regime, would need to be subject to criminal sanction. As with company licensing, the law should make provision for the imposition of sanctions on company directors and board members, and not just on corporate entities which, in the case of private military and security companies with their minimal infrastructure, can quickly be wound up.

32. Such a regime could be introduced either through new primary legislation, or through amendment to the Export Control Act to create a peg on which to hang specific secondary legislation regarding private military/security companies. In fact during the Lords and Commons committee stages of the Bill in 2001-2, Opposition members proposed detailed amendments covering ' foreign military assistance' based on language in the South African law of 1998. Ministers, however, argued that the aim of the Export Control Act was to set up a framework for the control of the export of goods; military services and mercenary activity did not lie within its remit. Anyway, the amendments proposed by the opposition parties would prejudge the outcome of the consultation on HMG's Green Paper on Private Military Companies, which was only just starting.

Handling the Industry

33. Although during the Green Paper consultation Parliament (including the FAC) and the NGOs were in favour of a contract licence scheme, on the whole the PMCs and PSCs were reluctant. Companies based in or operating from the UK remain seriously concerned that the unilateral introduction by HMG of contract licensing would put them at very serious competitive disadvantage. Some have expressed unease that sharing contract details with government could jeopardise confidentiality; indeed, working out the balance between transparency and parliamentary scrutiny, on the one hand, and commercial confidentiality, on the other, could prove tricky. But the major anxiety is that government decision-making on licences will be too slow to meet the commercial timetable, particularly if several departments and agencies need to be consulted. In emergencies, PMCs/PSCs can receive requests from potential clients for security

assistance within a day. Hence, frequent and effective communication between government and industry, particularly on evolving security situations and fast-developing commercial opportunities, will be essential.

34. We therefore need to discuss with the industry what would be an acceptable timeframe for turning round applications, and how we might adapt the OGEL/ OIEL concepts to a regime covering the export of military/security services. We could also seek to reduce the commercial disadvantage to UK companies of such a scheme by pressing for multilateral initiatives (within the EU and, more widely, involving the US and South Africa) and seeking to ensure that arms embargoes explicitly cover the full range of military services. And we shall need to address concerns that the considerable expense of a long and successful contract negotiations would be wasted if HMG at the end of the process refused a licence. A system of prior notice of intent to negotiate would enable the government to indicate informally at an early stage that a licence application would certainly or probably be refused.

35. All in all, handling the industry will not be easy. And in order to get reluctant compliance we may need to focus the regime solely on a relatively limited range of activities.

Regulation and Enforcement Issues

36. There are again some difficult regulation and enforcement issues:-

a) Extraterritoriality: as with company licensing, the extent of extraterritoriality would require clarification at the legislative drafting stage. However, the Export Control Act of 2002 limits extraterritorial controls on trafficking and brokering activity to specific categories (torture equipment, long range missiles, WMD-related goods, military goods to embargoed destinations) whose export is anyway controlled internationally.

b) Changing political context: the political conditions in which a licence was signed could change before its terms were fulfilled (or indeed the company and the end-user may mutually wish to alter the scope of the contract). Legislation would need to make provision in such circumstances for examination, modification and, ultimately, revocation.

c) Enforcement: legislation introducing the licensing of individual contracts would probably need to make it a criminal offence for the company concerned to act otherwise than as set out in the contract. Hence, as with company licences, there would be problems of on-site investigation, obtaining evidence and enforceability if, as is likely, the activity were carried out abroad. Even if the regulations went no further than to make non-compliance a ground for refusal of a licence in the future, we would still have to be certain of our facts before refusing further licences because of the threat of judicial review proceedings. Again, the availability of reporting (including secret intelligence) the resources of the enforcement agencies and the degree of assistance they receive from other governments will be factors crucial to success.

d) Evasion: as with a company licence scheme, we should weigh up the significance of the risk that the less reputable companies, and those less sure of picking up government and other legitimate business, would simply close their UK offices and operate from elsewhere. This would be particularly easy for companies already registered outside the UK. To cite an example of such behaviour, in response to the introduction of a South African government contract licensing regime in 1998 the company Executive Outcomes (EO) immediately closed its home-based office. However it continues to maintain a network of offices elsewhere in Africa, and former EO operatives have surfaced round the continent under different guises.

OPTION F: REGISTRATION/NOTIFICATION SCHEME FOR MILITARY/SECURITY SERVICE CONTRACTS

37. Such a scheme would require companies operating in the UK which wished to accept contracts for military and security services abroad to register with the government. They would also be required to notify the regulatory department of contracts for which they were bidding. Under normal circumstances HMG would not react, but legislation would give it reserve powers to block the uptake of any contract which ran contrary to UK policy or interests.

38. This scheme would generate less expense for both government and industry than Option E. However, it would be subject to many of the same difficulties, e.g. judicial review of government decisions, enforcement, evasion, confidentiality, changing circumstances. And, in the absence of the need for an explicit licence, there would be the danger that a sensitive contract could slip through the regulatory net before government departments had completed consideration.

CONCLUSION

39. No solution to this problem is quick or easy. All options carry serious problems, not least in terms of licensing criteria, definition of licensed services, implementation, enforcement and the threat of judicial review. Moreover, the scope of any of the above regulatory mechanisms would not reach beyond the activities of companies based in or operating from the UK, and, depending on the terms of the legislation, of UK citizens operating overseas. Hence, none would prevent a company based and registered outside the UK from enlisting recruits in this country for military service abroad - a problem which could be addressed only by the overhaul of the Foreign Enlistment Act of 1870.

40. Even if the problems of regulation and enforcement could be squared, a company licensing or registered contractors scheme would, on its own, be a blunt instrument offering HMG no opportunity to scrutinise individual contracts, and hence regulate individual operations. The benefit would fall less to the public interest, than to the licensed/registered companies whose commercial standing would be enhanced.

41. The licensing of contracts raises serious problems of regulation and enforcement, which should not be underestimated. But, if these issues can be addressed, such a

form of control would provide the government with flexibility in decision-making and the opportunity to consider a contract in its political and strategic context.

42. However, if we are to succeed in setting up a contract licensing scheme, we shall need to take some account of the attitude of the reputable part of the industry. Much of this strongly favours a form of company regulation along the lines of the SIA's 'approved contractor' scheme but is concerned that a contract licence regime might prove expensive, slow and deficient in confidentiality. The establishment of a register of authorised contractors operating overseas could help secure their acceptance of the inconvenience of contract licensing. (Indeed, it is not inconceivable that, with time, some foreign companies may decide to register in the UK in order to take advantage of the legitimacy the licensing regime implies in the global security industry). But criteria for the registration of contractors will need to be sharply defined, and must include appropriate insurance to cover injury and death of operatives, and detailed investigation of the history of all directors.

43. And, particularly if registration were mandatory and subject to regular review, it could also bring some gains for HMG. A more structured relationship between the government and the private military and security sector could be useful in an era of increasing resource pressure on the Armed Forces. And companies which failed to secure authorised status could, with time, become marginalised and lose business, even if there operations and advertising could not be stopped completely (para 24 e) and f) above).

44. To amend both the Export Control Act (to extend its coverage to military and security services) and the Private Security Industry Act (to broaden the scope of the SIA's approved contractor scheme to companies operating outside England and Wales) would be a complex process and create a bureaucratically untidy arrangement. Hence, we recommend that detailed work should be put in hand to develop, in consultation with interested stakeholders, self-standing primary legislation which would establish a twin-track regulatory system, consisting of :-

- The licensing of individual contracts for a defined list of military/security services on the basis of a published set of criteria.

- A register of 'authorised' contractors. Registration would be mandatory for any company based in or operating from the UK which proposed to export military/security services covered by the contract licensing scheme

ANNEX A

REGULATORY IMPACT: RESOURCE IMPLICATIONS

RISKS

1. Since the activities to be regulated take place overseas, investigation and the collection of evidence, and hence the mounting of a successful prosecution, would be difficult. As PMCs/PSCs tend to be mobile, with few fixed assets or permanent employees, they can uproot themselves easily from one jurisdiction to another to evade inconvenient regulation. In addition, however precisely the criteria for licensing or registration are drafted, there would be some risk of adverse decisions on applications being vulnerable to judicial review.

BENEFITS

2. Regulation would help reduce the risk that the activities of companies, or of individuals, could undermine the UK's policies and interests abroad, or cause HMG embarrassment, or be inconsistent with internationally accepted standards A regulatory system could not be foolproof. But it would have a chance of working if the sector as a whole believed that it was in their interests. Indeed, the recent sudden emergence of a number of new UK companies hungry to exploit the new opportunities in Iraq has led several of the major established leading UK PSCs to call for government regulation - though they are rather keener on company registration/licensing than on contract licensing. They see regulation as a means to establish a reputation for British companies as reliable and responsible business partners, e.g. for international organisations. And companies which placed themselves outside he regime, by going offshore, would see their reputations suffer, and become marginalised.

IMPLICATIONS FOR THE INDUSTRY

3. The regulatory impact of the recommended new controls would be based on the requirement to prepare applications for licence contracts and for 'authorised' contractor status, and to maintain records for inspection, as evidence of compliance. These obligations would apply only to companies (and individuals) which propose to engage overseas in the activities defined in the legislation (paras 28-29 above). However, a contract licensing regime covering specified military and security services would place a significant burden on such companies; staff time would be needed to prepare and support applications. (Companies which also engage in arms exports, or in trafficking and brokering, should already be geared up to managing a licence application process, but for others this would be a new experience). And a delay in the issue of a licence could prove expensive if it led to the loss of a contract.

IMPLICATIONS FOR THE GOVERNMENT

4. The introduction of a twin-track regime, along the lines proposed, would have significant resource implications for government in terms of staffing and IT. It is difficult to be precise on numbers, but, given recent trends in the sector, we

estimate that 20 to 40 companies would seek registration, and that there would be 150 or more applications per year for contract licences, including open licences. However, a heavier workload than this cannot be ruled out if the industry's expansion steps up further. We should need to consider whether at least part of the costs could be redeemed, by charging, for instance, for company registration, or for contract licensing, or for outreach and other customer services.

5. Whichever Department or Agency becomes the regulatory authority would therefore need to be resourced both to lead on the full range of policy, legal and outreach issues related to the regulation, and to provide the speedy service, which the industry will demand as the condition for their co-operation. It would be required to process all applications for company registration, including annual renewals, and for contract licences. It would liase with other Departments and Agencies involved in the decision-making process, chasing their returns to ensure tight deadlines are met, and issuing instructions on matters such as contract confidentiality. It would maintain a database covering applications and the copying of paper round Whitehall. It would issue registration certificates and licences, as well as notifications of rejection or revocation. It would handle cases going to judicial review.

6. The FCO would need to establish a unit within an appropriate functional group to take the Departmental lead on company registration and contract licensing, and be the contact point with the regulatory authority, if this lay outside the FCO. This unit would consult other FCO groups, geographical and functional (e.g. on human rights or serious crime angles), and be responsible for submitting to senior officials and Ministers on difficult cases. Based on the estimate of 20 to 40 companies seeking registration and 150 or so licence applications per year, the staffing of such a unit would cost in the region of £81,000 per year. There would also be a one - off initial IT investment of £110,000.

7. There could also be a requirement for FCO missions, particularly defence attaches, to play a role in monitoring the activities of PMCs/PSCs, including the implementation of licensed operations. However, such responsibilities would need to be factored into a general consideration of mission priorities, and would in any case be complementary to any contribution by HMRC.

8. Licensing companies and contracts would have resource implications for the Ministry of Defence ranging from organisations such as the Defence Intelligence Staff, who would be required to support and monitor such a regime, to Defence Export Sales Organisation, who may be asked to support such companies securing work abroad. Conversely the ability to use an appropriately regulated private sector, even more widely than currently, in support operations and in providing defence training, in theory at least, has the potential to free up service personnel for more demanding and higher priority duties. Calculating the hard resource implications at this stage is, however, impractical.

9. The resource implications for DFID will depend on which destinations and categories of licence the Department wishes to be consulted about, in accordance with its priorities.

10. HM Revenue and Customs will need to consult Ministers on whether they should take on an enforcement role with respect to regulations covering the provision overseas of private military and security services. If HMRC were to agree to do this, they would need to prioritise their activity in accordance with the public interest, including the pressures on the public purse. They would be likely to focus on cases where there was evidence of a definite breach, and consequently a likelihood of successful prosecution. It is too early to quantify the resource implications of HMRC's possible involvement in this area.

ANNEX B:

WHICH DEPARTMENT SHOULD ACT AS REGULATOR?

a) Department of Trade and Industry

- through the Export Control Organisation, extensive practical experience and technical expertise relating to the licensing of the export of goods and technologies on the control lists, including the trafficking and brokering of arms.

- but, DTI's contacts with PMCs/PSCs relate only to issues such as arms exports and trafficking/brokering for which the Department is directly responsible. The DTI has no expertise on PMC/PSC core activities e.g. security guards, close protection, logistical support, intelligence gathering, military training. On these activities decisions would need to be made by FCO and MOD. Hence, if DTI became the regulating Department its Secretary of State would be accountable (through judicial review or before Parliament) for decisions taken exclusively by others.

- Anyway, the activities of the Export Control Organisation are currently undergoing review, and the Organisation is likely to lose 25% of its current staff.

b) Foreign and Commonwealth Office

- the FCO has the expertise on the key issues which bear on decisions relating to the export of military/security services e.g. political/military situation in the country of destination and the wider region, human rights angle, effect on UK's diplomatic relations.

- but, the FCO's expertise and experience in regulation through licensing is limited to the Government Diamond Office.

- and the fact that certain PSCs with overseas interests are engaged by the FCO to provide security for some of our overseas missions could conceivably create a conflict of interest.

c) Ministry of Defence

- MOD – DIS in particular – have access to knowledge regarding the activities of PMCs which will be central to decision-making both on 'approved list' status and on licence applications relating to contracts.

- but, like the FCO, MOD lacks experience in running an export licence regime

- moreover, e.g. on account of its outsourcing activities, the MOD may in practice be too close to some of the companies to act as a credible regulator.

d) Security Industry Authority

- the Private Security Industry Act of 2001 authorised the SIA to establish a register approved security companies in the domestic market. Several PMCs/PSCs are pressing for amendment to the Act to empower the SIA to register companies engaged in overseas activities.

- however, the SIA's remit does not extend beyond England, Wales and Scotland. The Authority's regulatory mechanisms (licensing of operatives, register of approved contractors) are designed specifically for domestic regulation. It has no expertise in overseas security issues or in operations against hard targets; nor does it licence individual contracts. It would not feel able to take on additional responsibilities, except on the basis of the criteria and processes it currently employs.

ANNEX C

LEGISLATION IN OTHER STATES

1. Several states (e.g. France, Australia, Canada, Norway, Netherlands, Portugal) have legislation which bans, or tightly regulates, enlistment in, and recruitment for, freelance (mercenary) military activity abroad. As with the UK's Foreign Enlistment Act of 1870, very few, if any, successful prosecutions have ever been brought under these laws.

2. The United States and South Africa are among the few countries which have national legislation on private military/security companies.

UNITED STATES

3. The US Arms Control Act of 1968, which originally regulated only the export of military equipment, has since the 1980s been extended to covered the provision of defence services to foreign persons. Defence services are defined as including the provision of and assistance in the design, manufacture and use of defence equipment; the provision of technical data on such equipment; and the provision of any military advice and training to foreign units, regular or irregular.

4. According to the International Traffic in Arms Regulations (ITAR), a provider of defence services must register with State Department. The company must also, on a case by case basis, secure a licence from State Department before it can fulfil a contract to provide any form of defence service to foreign persons, whether in the US or abroad. Congress must be notified whenever the US government approves the export of defence services in excess of USD 50 million.

5. Commentators have noted that too many government departments and offices are sometimes involved in the US licensing system, which can consequently be slow, idiosyncratic and without procedural consistency, and that there is no systematic monitoring of a contract when it has been granted. There are even reports that contracts are sometimes split up or partially subcontracted to avoid congressional oversight.

6. However, for the most part, US privately contracted defence services are provided by a limited number of large and influential companies (MPRI, DynCorp, Vinnell). These have close links with the US administration and much of their business involves large contracts with US government departments, which guarantees a degree of market stability. (In contrast the UK's industry tends to draw much of its clientele from the commercial sector and from overseas governments. Contracts tend to be smaller in monetary terms, and are more likely to require immediate reaction to a security situation).

SOUTH AFRICA

7. Following the controversy regarding the operations of Executive Outcomes in Angola, Sierra Leone, Zaire and elsewhere in the mid-1990s, the South African government in 1998 passed the Regulation of Foreign Assistance Act to clamp down on private military activity. Its aim was twofold: to ban mercenary activity, defined as 'direct participation in an armed conflict for private gain'; and to regulate private military assistance abroad.

8. To offer military services outside South Africa, the provider must first acquire a general authorisation from the government. He must then obtain permission, on a case by case basis, from the National Conventional Arms Control Committee (NCACC) before he can accept a contract to provide any of the following forms of military assistance:- advice, training, personnel support, logistics, intelligence, operational support, recruitment services, procurement of equipment, medical or paramedical assistance, personal security, armed protection for individuals or property or 'any other action that has the result of furthering the military interests of a party to an armed conflict.' In practice, the Minister who chairs the NCACC is under no obligation to endorse the Committee's recommendations, and he can delay a decision indefinitely. The South African regulations contain no provision for parliamentary oversight.

9. Humanitarian or civilian activities to provide civilian relief in a conflict zone are currently exempted, explicitly, from the Act, as are, in practice, security services for commercial enterprises outside a war zone. The Act applies extraterritorially; only actions committed by a foreign citizen wholly outside the borders of South Africa are exempt

10. But, the record of enforcement for this legislation is extremely poor. There have been virtually no successful prosecutions under the Act. Companies such as Executive Outcomes have simply closed their offices in South Africa, resurfaced elsewhere on the African continent in different guise and, continued to do business without South African government authorisation. For instance, South African companies have been involved in military training in the Ivory Coast and the Democratic Republic of Congo, technical assistance, flying helicopters – and possibly even in offensive military operations. In addition, an estimated 1500 South African former soldiers and police officers have been performing military services in Iraq without any reference to the Act.

11. However, ironically in the light of this record of non-enforcement, the South African government is reported (Financial Times, September 2004) to be considering the further tightening of the legislation by introducing a ban on all war-zone activity by its nationals – a measure which could affect NGOs and aid organisations.

Defence Policy.

file

(CJBs has hop copy. PM see but no comments)

Tony

Military Justice.

You asked me what is going on. I have annexed a brief summary of recent Iraq Charges/ investigations which have heightened the ex-CDS's concerns. But the concerns themselves are not new. Moving from the general to the specific and most recent these worries have been characterised by:

1. A growing concern over the additional, external, legal frameworks (external to the military and to the UK) such as Human Rights, the incorporation of ECHR and, in particular the ICC Act which are being imposed upon the military.
2. A fear that these external frameworks also introduce potential, external, legal investigators/adjudicators.
3. A belief that fear of these are encouraging domestic decisions which fail to take account of wartime/warlike operational circumstances.
4. And that these decisions are being driven by those removed from war-time/warlike situations (MoD/ Attorney General) who are now over-ruling and undermining the authority of the chain of command.

This general concern has been heightened more recently by several other issues:

1. The Case of trooper Williams (See Annex) where a Commanding Officer initially dismissed the allegations summarily after legal advice (but, unfortunately, without a hearing), thus allowing an over-rule by the Army Prosecution Authority, who referred it to the Attorney General who in turn directed it towards the civilian CPS and civilian prosecution. This was bad enough, but was exacerbated when the judge than effectively reprimanded the CPS and system for the betrayal of a brave soldier and the Dir. of Prosecutions offered no evidence.
2. Recent charges against our soldiers in Iraq. (See Annex)
3. A war/campaign in Iraq which is claiming lives, but is surrounded (at best) by controversy and (at worst) by allegations of illegality and
4. An (ill-founded) suspicion that politicians may wish to distance themselves from it by dumping on the military as a way of assuaging public opinion.
5. A feeling of "betrayal" among some of them, that they were given oral assurances to counter their fears at the time of introduction of these "external " legal measures, which assurances now appear less than solid.

Some of this concern is misplaced entirely. Other than the AG politicians/Ministers have no control whatsoever over individual cases. Nor is there any desire whatsoever to "dump" on the troops. On the other hand, Ministers were responsible for the introduction of the "external" legislation, some ministers are perceived to be slow/absent in robustly arguing the case for our troops and the cause in Iraq, and the AG has been seen to be heavily involved in both specific cases and in pushing for reform of the Military justice system.

On the other side of the coin, the AG is adamant that we have to introduce further modifications to the powers of the Commanding Officer in the Armed forces Bill. He would claim that without further reform we will constantly be in breach of Human Rights legislation etc. This only further reinforces the ex-cds prejudices against them.

I am now trying to handle this fall-out. I start from the following premise.

In all of the individual cases there are/were clearly serious allegations to answer and I am sure that the ex-CDS' would fully accept that some form of effective justice system is required. What really worries them is the scope for the military justice system to be over-ruled by the civilian system, and both subsequently to be overruled by the International Criminal Court. I am assured by officials that the ICC will never realistically be able to do this (although I suspect they will try their hand from time to time). The real problem is the perception this debate is generating among serving soldiers that they can no longer fight military campaigns of any sort without being prosecuted

1. I have already had one (not entirely helpful) meeting with AG to discuss possible reforms in the AF bill.
2. I have already spoken twice to CG and to David C. to try to establish some initial contact with ex-CDS.
3. I have invited them all meet with me and CDS on Tuesday to identify their concerns, discuss their worries and receive any practical proposals they might have to assuage their fears.
4. I should have a better sight of the way forward after Tuesday's meetings and will come back to you on this.

JR

Annex to Note of 17th July

Senior officers have been concerned for some time about the extent to which developments in the law are encroaching on their ability to run military operations. The perception is far worse than the facts but the perception itself is at risk of getting out of control.

This background concern has been brought into focus by [four] recent issues.

First, there was the high-profile **Court Martial of four soldiers from the Royal Regiment of Fusiliers**, who were found guilty on charges relating to mal-treatment of Iraqi civilians. You will recall that this case stemmed from one of the soldiers handing in a photographic film for development at a shop in Tamworth and the staff reporting the images to the police. All were imprisoned and dismissed from the Army in disgrace. The public (and private) reaction from the Army was one of shock and surprise at the way these individuals had behaved (the pictures included simulated sex/physical abuse, and Iraqi civilians being dangled from fork-lift trucks).

Two defendants (LCpl Cooley and Cpl Kenyon) have submitted appeals to the Court-Martial Appeal Court. No court date has been set but it is likely to be heard in September. Although not public knowledge at this stage, the main thrust of the appeals by Cooley and Kenyon is that they did not receive a fair trial due to the intense media coverage and comments made by Ministers and, to a lesser extent, by the Chief of the General Staff.

Second, and more worrying from the ex-CDS's perspective, is the **Trooper Williams case**. On 2 August 2003 Williams was in a patrol that stopped a group of Iraqis who were moving heavy machine gun ammunition; three men were detained but others ran off. Williams and a Junior NCO chased one and caught man, Hassan Abbas Said. Mr Said refused to be handcuffed and during the attempt to restrain him he was shot by Tpr Williams. He died the next day. Following an investigation, Williams was reported for murder. Acting on legal advice, the Commanding Officer dismissed the case against him without holding a hearing.

Subsequently, the legal advice was considered to be wrong as it should have been the Army Prosecuting Authority that decided on whether on whether to prosecute. Under the law, however, the CO's decision to dismiss meant that Williams could never be tried by court-martial. only route to hear the evidence was using the civil courts because, for serious offences, such as murder, committed by Service personnel abroad, concurrent civilian jurisdiction exists under statute. It is a jurisdiction that has never been exercised for alleged offences by personnel deployed overseas on operations. The Army Prosecuting Authority decided to refer the papers to the Attorney General, who in turn referred them to the CPS. There was no Ministerial or departmental involvement at any stage in this process. All decisions were made by Army personnel, although I understand the APA consulted the Attorney General, which was only proper given the nature of the case and the Attorney's formal role superintending the Service justice system.

The papers were referred by the Attorney General to the Crown Prosecution Service (CPS), which initially decided that the case should proceed to trial on the charge of murder. Following a 3 day hearing in February 2005, however, the Crown offered no

evidence, and Williams was formally acquitted of the charge by the trial judge. This protracted and difficult case has contributed largely to the Chiefs of Staff's unease.

The next two cases are ones that are still under investigation.

First is the **Baha Musa** case, which has received media coverage as potentially being the first case in which a commanding officer could face war crimes charges.

Musa was detained on 14 September 2003, together with a number of other Iraqis, in a pre-planned operation by British troops of the Queen's Lancashire Regiment (QLR). While in detention Mr Musa died of multiple injuries, allegedly following a sustained assault. A total of 15 soldiers of varying ranks, including the former Commanding Officer of the QLR (Col Mendonca), have been reported for offences in connection with this incident.

The case is currently being considered by the Army Prosecuting Authority. A decision is expected shortly. We can say nothing publicly about the case as such, because of the contempt risk, and that of prejudicing any trial. It is highly likely that whoever does end up charged with offences will argue that a fair trial is impossible, given the extensive media discussion of the facts of the case, and the publicity given to the incident.

The final case is that involving the death of **Sergeant Roberts** and an Iraqi civilian. On 23 March 2003, three Challenger tanks were conducting a vehicle checkpoint. Sgt Roberts was dismounted from his tank and searching vehicles for weapons. An Iraqi civilian (Mr Zaher) approached and began to throw stones. Sgt Roberts drew his pistol and pointed it at Zaher (it is not clear whether he fired). The pistol jammed and Zaher continued throwing stones. Roberts' colleagues in the tank opened fire on Zaher with a chain gun, which hit Zaher (virtually severing one arm) and Sgt Roberts, fatally wounding him. Another member of the tank crew approached Roberts to give first aid but also shot Zaher several times. A third crew member also shot Mr Zaher.

I understand the case may have been moved to the civil courts because there would appear to be evidence that could be taken to show a concerted attempt by the Army chain of command to frustrate the investigation. An allegation that, of course, has far reaching implications for the entire process of military justice.

DEFENCE - POLICY

From: **Antony Phillipson**
Date: **15 July 2005**

PRIME MINISTER

cc: **Jonathan Powell**
Nigel Sheinwald
Ivan Rogers
Daniel Thornton
Ruth Turner

PROSECUTION OF ARMED FORCES PERSONNEL

The question of prosecution of armed forces personnel has been flagged up by the recent debate in the House of Lords in which a number of former CDSs lined up to criticise the possible impact of the risk of prosecution on services' morale. There are three distinct sets of issues involved, all of which raise difficult issues:

The Trooper Williams case

Trooper Williams was accused of killing an Iraqi civilian in August 2003. His Commanding Officer cleared him of the charges without a formal hearing. The Army Prosecuting Authority (APA) disagreed and referred the case to the AG (as the supervising authority). Since the CO had dismissed the charges it was not possible to refer the case to a court martial so the AG referred it to the CPS. Williams was charged in September 2004. The case was dismissed in April this year after the prosecution offered no evidence against him.

The case drew criticism from a number of senior officers (including in the Lords debate) who claimed that second guessing the CO decision was damaging to morale and could lead to a hesitation to use force for fear of prosecution. Such hesitation in a war zone could be fatal.

One problem at the heart of this case was that while the CO was within his rights to dismiss the charge he did so without holding a hearing. And having dismissed it that meant that there was no recourse to military justice, so the civil courts were the only option. MoD are proposing to use the Tri-services bill later this year to rule out the possibility of cases being dismissed without a hearing.

The AG exchanged letters with Geoff Hoon on this point (and a separate concern regarding the capacity of forces investigators to undertake complex prosecutions) last year. John Reid is about to write back to him on it.

— but we shd say in return. these cases will not be referred to CPS.

The Baha Moussa Case

This is an ongoing case. Moussa was an Iraqi civilian who died in UK Army custody in September 2003. It is alleged that he was beaten to death by members of the Queen's Lancashire Regiment. His family were offered compensation which they rejected. They demanded an inquiry which the MoD refused. In December 2004 the High Court ruled that the UK's obligations under the ECHR extended to "outposts of the state's authority" in foreign lands; and that the UK was in breach of the Human Rights Act for failing to investigate the death.

The AG met the APA this afternoon. It is likely that the case will then proceed to a court martial, although if the AG felt that the case were better dealt with in a civil court he could direct accordingly. MoD do not believe he will. If it were to fall to the civil courts it would be under the International Criminal Court Act – which is not the same as a hearing before the International Criminal Court (ICC – see below). it must not-!

The ICC

In the HoL debate yesterday Lords Inge and Boyce claimed that Armed Forces personnel could be prosecuted before the ICC. In extreme circumstances this is true. But there are good reasons for believing that such prosecutions will not in fact take place.

The ICC Prosecutor is required to review every complaint he receives, however frivolous. There have been thousands of complaints since the ICC's entry into force in July 2002 against the UK relating to military operations in Iraq. But before he proceeds with a formal investigation against UK personnel, the Prosecutor needs to be satisfied of three criteria:

> First, he must conclude that there is a "reasonable basis to believe that a crime within the jurisdiction of the Court has been or is being committed". Most of the allegations that have been made against UK forces in Iraq are spurious or unsubstantiated and will not pass this first criterion.
>
> Second, if there are credible allegations against UK personnel of crimes having been committed, the Prosecutor must decide whether we are able and willing to investigate and, if necessary, prosecute those suspected of having committed such crimes. Given that a number of domestic investigations are ongoing and several UK service personnel have already

been convicted of offences and sentenced to prison, it is extremely unlikely that the Prosecutor would conclude that he had jurisdiction to proceed in these circumstances. We are clearly able and willing to investigate and, if necessary, prosecute UK nationals. Moreover if he had any doubts about any particular allegations or the conduct of a specific UK investigation, prosecution or the lack of one, he would contact the FCO in order to seek clarification. He has done this already, in confidence, on one occasion.

Third, the Prosecutor must consider before initiating an investigation, whether - even if the first two criteria are satisfied - there are, nonetheless, substantial reasons to believe that an ICC investigation would not serve the "interests of justice". This test was designed as a further check to prevent the ICC pursuing insufficiently serious cases. It is highly unlikely that any allegations against UK service personnel would satisfy the first two tests, but this third criterion provides an additional check.

The FCO, who are in regular contact with the Office of the ICC Prosecutor, expect the Prosecutor to make a formal (and public) decision this month or next **not** to pursue a formal investigation in relation to the allegations he has received to date arising from UK military operations in Iraq. // this is vital

This is not, of course, an absolute guarantee that no UK personnel would ever end up before the ICC. This was why the US were not prepared to sign up to the ICC. But the judicial system that we have in place, and especially the fact that the AG can step in to review cases (as in Trooper Williams), provides a very high degree of assurance.

In the HoL debate, Lord Guthrie urged an opt out from the ECHR as, he claimed, France has. This is not quite right. France negotiated some transitional arrangements that gave them a limited opt out but these have been overtaken by subsequent legislation. (Much of the French military system has been civilianised.) France's position under the ECHR is now the same as ours. There is, however, a difference in our positions with the ICC. France negotiated transitional relief to protect them against prosecution from war crimes; this ends in 2009. But they remain subject to prosecution for genocide and crimes against humanity.

I understand that John Reid will be speaking to Guthrie and Inge over the weekend and will then do a note for you on this. Subject to that I recommend that we ask MoD/AG for a note on the changes that they propose to make in the

Tri-services bill and an assessment of how these will be presented to avoid charges that we are either making it impossible for troops to operate in a war zone or that we are second guessing the chain of command.

Signed by
A Phillipson

ANTONY PHILLIPSON

The hope, in effect, to be in a position where ICC is not involved & neither is CPS.

That is essential. This has been hopefully handled by the MoD.

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TO: Antony Phillipson.
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CHECK AGAINST DELIVERY

DEFENCE IN THE WORLD
Secretary of State
Commons Debate 7 July 2005

The security of a nation, and the safety of its citizens and interests is the prime responsibility of Government. But its ultimate effectiveness rests in the hands of those who serve the country.

Even as I address this House today, thousands of our service personnel are deployed across the world, helping to improve lives, deliver security and ensure peace. Their professionalism, courage and selflessness continue to inspire the people of this country, and I would like to take this opportunity to record my thanks to them, and my deep admiration of what they continue to achieve.

Only a few weeks ago I saw this for myself in Iraq - British troops playing an essential role in reconstructing both Iraqi security forces and Iraqi civil society. We should be very proud of the outstanding job that our forces have carried out in Iraq. In very dangerous circumstances they have made an immense contribution to improving the lives of millions of Iraqis – enhancing their security, providing them with the opportunity to vote, and improving their access to clean water, health care, education.

The 65,000 UK service personnel who have made this happen, and their families back home who have supported them, deserve our heart felt gratitude.

They have demonstrated the same bravery and determination to get the job done as those who served during World War Two. It is therefore timely that we conduct this debate during Veterans week, and I know the House will wish to join me in paying the warmest of personal tributes to those men and women who have served their country. I will return to this subject later.

Since this is my first debate on Britain's place in the modern world, let me outline my approach to this great issue. It is not an approach defined merely by arbitrary self-interest or piecemeal pragmatism. Rather it is of one philosophical piece with our general approach to Government at home and abroad.

Here at home, this Labour Government believes that as citizens of this country we each have a balance of rights, interests and responsibilities. So too, as a citizen of the world, our nation has rights to defend and responsibilities to discharge. And sometimes the maintenance of those rights and the discharge of those responsibilities in the wider world require the applications of force, of fighting power.

So, we have a right to defend both ourselves and our allies as set out in the UN Charter and the NATO Treaty. But we also have a responsibility to intervene to help others, for instance, as we did in Kosovo to avoid imminent genocide and catastrophe, and as we are doing today to support the African Union in Darfur.

This does not derive from some neo-conservative doctrine, but rather from an obligation of international solidarity and its application to a modern, shrinking world. It flows from the same central philosophy that has this week driven our governmental aims at the G8.

Indeed, these are but two parts of what has become a complex security architecture, because as the world becomes ever more interdependent, and the threats we face ever more complex, then we need to respond in a far more coherent and co-ordinated fashion.

So today we will debate the broadest context of our interests and commitments throughout the world. We will discuss how we defend our rights and discharge our responsibilities in the world – engaging not only militarily, but also economically, financially and diplomatically. I am proud of the work that this Government has done to develop a comprehensive security strategy that brings these different strands together.

Turning now to some specifics, in Iraq, we completed the first phase of operations in May 2003.

We said at the time that we were committed to the long term reconstruction of Iraq. That is still true; that is why we are still there 2 years on; and that is why we will remain there, until we have helped Iraqis to complete the transition to a secure democracy.

And we are making good progress. The infrastructure of Iraq became severely run down under the Saddam regime even before the Allied invasion. Investment in services such as electricity and water had been minimal for twenty years or more. Even more significant to our current task is that the distribution of those services was politically determined, sectarian and ineffective.

But now, together with the Department for International Development, the UK is helping to make a positive impact on the lives of Iraqi civilians, through rehabilitation of these essential services investing in power, water and education and health.

We have helped to create the conditions where the economy could grow – it grew by over 50% in 2004; And, we have helped for instance to:

- rehabilitate 2535 schools;

- to rebuild hospitals; 1000 of which are now operating.

Crucially, local Iraqis take a leading role in many of these projects, ensuing that jobs are created and the reconstruction effort meets the aspirations of the Iraqi people.

Assisting the Iraqis improve the security environment remains top of our agenda.

That effort has so far led to 170,000 Iraqi Security Force personnel being trained and equipped:

- for the first time a greater number than international forces;

- with tangible results on the ground as they increasingly themselves take on the tasks of countering insurgency and terrorism.

Iraq continues to make good progress towards ensuring full democracy within a new constitution which they are deciding for themselves. We will continue to assist and will remain committed there for as long as the Iraqi Government requires our help.

Meanwhile, in Afghanistan, we remain committed to helping the Afghan people restore security, stability and prosperity to their country too. The Presidential elections last October were a major success and the parliamentary elections this September will be another key step forward.

Today, we have around 1,000 personnel from all three Services deployed in Afghanistan, along with civilians from across government. They are deployed as part of the NATO-led International Security Assistance Force and they also contribute to the US-led coalition. We are also working in partnership with the Afghans and our Allies to develop the capabilities and skills of the Afghan security forces. We help to train the Afghan National Army. We provide advice, training and some logistic support to the Afghan authorities to carry out their operations against drugs traffickers.

Afghanistan continues to need international military help. The Taliban and the remnants of Al Qaeda remain active. Opiates continue to be produced. We share President Karzai's desire to see Afghanistan free from both terrorism and the opium industry. Both are a threat to Afghanistan and to the UK.

In May next year, we shall deploy the UK-led Headquarters Group of the Allied Rapid Reaction Corps to lead the International Security Assistance Force. ISAF has an essential part to play in stabilising Afghanistan. We played a key role in ISAF's original expansion across Northern Afghanistan and we intend to do the same when it moves into Southern Afghanistan.

I am not yet in a position to give details – our plans are not yet sufficiently developed. However I can say that our approach requires a range of responses including economic, political and humanitarian initiatives. Along with colleagues from the Department for International Development and the Foreign Office I am developing a coordinated strategy to bring together all of these strands. What is needed is a comprehensive approach to what is a complex problem and above all it must include the Afghans themselves. But the UK maintains an unswerving commitment to Afghanistan and its future. This is in our self-interest. Strategic failure in Afghanistan will mean it becomes an ungoverned space – the breeding ground for attacks on our nation and our interests.

We should also remember our forces serving in Northern Ireland, Bosnia, Kosovo, Cyprus, the Falklands Islands and elsewhere

across the globe. The duties they undertake are vitally important and demand considerable sacrifice for those involved. I can assure the House that though they may not be in the headlines at present their contribution to defending our security has not been forgotten.

- Our nuclear deterrent has stood us in good stead over the years. Of course we have taken steps to reduce our capability in response to the changing strategic environment. As a result of the Strategic Defence Review we now have a minimum nuclear deterrent.

In the recent election we made clear that we are committed to retaining the independent nuclear deterrent. No decisions have been made about what comes next but no doubt it will continue to be extensively discussed in this House.

We defend our rights and discharge our responsibilities most effectively when working closely with other members of the international community, and we remain committed to working with NATO, the EU and UN in rising to the diverse and less predictable security challenges that characterise the early part of this new century. We face shared threats, as events have shown, and they are best met with shared responses.

A strong Euro-Atlantic relationship - with NATO at its heart - continues to underpin the UK's security policy. NATO is an enduring and hugely successful alliance, which is continually adapting to changes in the strategic environment. It guarded us during the Cold War, played a leading role in reshaping Europe

after the fall of the Berlin Wall, and remains today the cornerstone of our international security policy.

Now, in the post-cold-war world, NATO's effectiveness depends on its ability to act purposefully when and where it matters, taking a broad approach with other partners in deterring and countering threats *before* they reach NATO's borders. NATO's long-standing and successful stabilisation operations in the Balkans are a shining example of this.

On 1 July the UK assumed the Presidency of the Council of the European Union. Whilst much discussion in this House and elsewhere has been focussed on the issues surrounding the EU Constitution and the common agricultural policy, we should not forget the progress that has been made in the field of European Security and Defence Policy, and the role of the EU in furthering peace, democracy and human rights – both in Europe and beyond.

One of the unique areas in which ESDP contributes is in the military/civilian link that it encompasses – both in securing the peace and then in helping deliver real transition to a functioning and just State. We are determined to use our Presidency to enhance this, and drive it forward within the strategic themes of the European Security Strategy. We in the UK shall be seeking to do our part to make the Union more capable, more coherent and more active – including a major review of the successful EU operation in Bosnia-Herzegovina. UK Forces have a key role leading this mission. The EU, working in concert with NATO, is helping to move Bosnia towards Euro-Atlantic integration. This work is

proving the feasibility of the Berlin Plus arrangements; indeed once implemented they allowed the military commanders on the ground to facilitate resolution of the political disagreements that had hindered the planning phase.

And of course we will continue to build the EU/NATO strategic partnership. We look for areas where the two organisations can complement and enhance one another. With so many Member States and NATO partners, sound EU/NATO cooperation is vital in using limited resources effectively and avoiding wasteful duplication.

But the EU increasingly needs the ability to act where NATO is not fully engaged, especially where the EU's broader capabilities and contribution in crisis prevention and management can be of added value.

It is not always about large deployments: with flexibility and sustainability we can achieve required effects in other ways, discharging our responsibilities through, for example, through contributing critical enablers, support capabilities or through defence diplomacy tasks.

The situation in Darfur, although better than in late 2004, remains unstable and insecure. Numbers of internally displaced are increasing, and their protection – and that of those remaining in their villages – is not yet assured. The African Union's monitoring mission in Darfur is to be expanded to over 7,000 personnel and recent discussions with NATO and the EU, on practical assistance,

advice and the provision of key enablers, such as airlift and logistics, are helping the AU to get its additional people on the ground more effectively. The UK is playing its part by providing staff officers in critically important posts, important air support and additional funding for more equipment and the transport of troops. As I previously said we want to provide whatever resources we can under the leadership of the African Union. I should also stress that we have a number of service personnel deployed across Africa including Liberia and the DRC, Ghana, Nigeria, Sierra Leone, South Africa and Kenya.

Our tasks abroad are only made possible by the hard work and sacrifice of the men and women of our Armed Forces and it is to them that I now turn.

This week is the first ever Veterans Awareness Week. It is being marked up and down the country by at least 500 commemorative events across the country to recognise and promote awareness of the immense contribution that veterans have made, and continue to make, to our society.

I'm delighted, Mr Speaker, that this week's events will ensure that a new generation of young people learn about the achievements of these men and women, and so pass on the torch of remembrance to future generations.

These events all highlight the esteem and importance with which we hold our Armed Forces. We maintain our position in the world and act as a force for good, because of the courage and hard work

of our Armed Forces and the civilians that support them. So, in conclusion can I say just how much we all owe our Armed Forces both those serving today and those who served so faithfully during the struggle against tyranny in the Second World War and afterwards. Without them none of us would be here today, governing a free people in a free country.

2391 Words

RESTRICTED AND PERSONAL



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SECRETARY OF STATE

MSU12/1/2J

Prime Minister

MINISTERIAL AIR TRANSPORT

Summary

1. The Foreign Secretary makes important and relevant points. We are awaiting the outcome of Sir Peter Gershon's review into Ministerial Air Transport. We must be mindful of the need to specify both a clear requirement for any new approach and the associated funding arrangements.

Detail

2. I welcome the Foreign Secretary's interest in the provision of Ministerial Air Transport (his minute of 6 Jun 2005, Ref: PM/05/018). The points which he raises are, in my view accurate, reasonable and highly relevant. We are, of course, awaiting the outcome of Sir Peter Gershon's study before reaching any conclusions. But it is worth noting that despite a series of reviews over the years, the issue of funding for Ministerial/VIP travel has never been gripped: such provision is still provided as an unfunded incidental arising out of (and dependent upon) military provision.

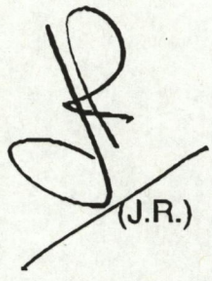
3. Thus, the MOD is not funded for the task of Royal and Ministerial air travel. The service is provided out of irreducible spare capacity and users are charged the marginal costs. Operational requirements must always take priority. In considering options for the future provision of Ministerial air

RESTRICTED AND PERSONAL

transport, it is important that Sir Peter addressed the issue of funding. If a service is to be established specifically for Ministers, then new money will have to be found, whoever is given the task of providing the service.

4. The RAF Communications Fleet is established and funded for the support of military and government communications tasks in time of crisis and war. The size of the fleet – aircraft and crews – is determined by Departmental assumptions about the concurrency of operations. It was this consideration which led to the withdrawal from service of the third BAe 146 aircraft in 2002. Subject to the overriding operational role of the RAF Communications Fleet, the Royal Household, government ministers and senior military officers may utilise the fleet's irreducible spare capacity. There are well established arrangements for bidding for use of the aircraft, but given the high level of operational activity, it is inevitable that we cannot always satisfy requests. It is this, as much as taking airframes out of service for essential modifications, which limits out ability to respond positively to all Ministerial bids.

5. I am copying this minute to John Prescott, Gordon Brown, Jack Straw, Hilary Benn and Sir Andrew Turnbull.



(J.R.)

Ministry of Defence

5 July 2005

RESTRICTED AND PERSONAL

RESTRICTED – SENIOR STAFF

Fwd'd to London for distribution 4/7/05 KE

8

10 DOWNING STREET
LONDON SW1A 2AA

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

4 July 2005

Dear Chris

VARIOUS SENIOR MILITARY APPOINTMENTS

The Prime Minister was grateful for your letter of 20 June, and is content with the proposed senior military appointments.

Yours

Nigel

NIGEL SHEINWALD

J C S Baker, MOD

RESTRICTED – SENIOR STAFF

THE NATIONAL ARCHIVES

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eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer
or Number not used.

CONFIDENTIAL - SENIOR STAFF

From: Nigel Sheinwald
Date: 1 July 2005

JONATHAN POWELL
PRIME MINISTER

SENIOR MILITARY APPOINTMENTS

I have discussed the proposed appointments in the attached MOD letter privately with Mike Walker.

A bit more detail:

- **Rear Admiral Style** has a **strong operational** background. A Navy high-flyer, and possible future CNS. Intellectually strong; maybe a bit arrogant. Will get on well with other countries, including the US.

- **Rob Fry** (recently knighted) will go into a brief holding pattern after his present job. He is likely to go out to Iraq for a six-month attachment next year as our Senior Military Representative, then a sabbatical, so that he is in play to become Vice-Chief of Defence Staff in 2007/8. A new VCDS is starting this month, so Rob would be a candidate to replace him.

- Probably the most important of these appointments is **General Nick Houghton's** as, first, Senior Representative in Iraq starting in October, and then as Chief of Joint Operations following Glenn Torpy. I see a reasonable amount of Nick (and he has attended meetings with the Prime Minister as Rob Fry's deputy). Mike Walker rates him at the very top of the current 2 stars in the MOD. He was well ahead of the field for this job. He has a lot of operational experience, in the MOD and recently as Chief of Staff of the ARRC. He is a popular, direct Yorkshireman.

  I expressed a concern about whether he had the necessary authority and depth. Mike Walker was absolutely clear that he had; and in any case it is fair to say that people grow into these jobs.

CONFIDENTIAL - SENIOR STAFF

- The other two appointments (**Peach** and **Figgures**) are less important from our point of view. Mike Walker is pleased that the Chief of Defence Intelligence will remain in uniform.

On this basis, I **recommend** that the Prime Minister should approve these appointments. In future, I will ask John Reid's office to ensure that there is an informal conversation with us **before** major appointments are officially sent over for approval.

Nigel Sheinwald

NIGEL SHEINWALD

RESTRICTED – SENIOR STAFF

MINISTRY OF DEFENCE
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WHITEHALL LONDON SW1A 2HB

Telephone 020 721 89000
Fax: 020 721 87140
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SECRETARY OF STATE

MSU 10/4/1J
20 June 2005

Dear Antony,

VARIOUS SENIOR MILITARY APPOINTMENTS

On the recommendation of the Chief of Defence Staff as the Chairman of the Senior Appointments Committee, the Defence Secretary has agreed the following selections:

- Rear Admiral (for Vice Admiral) C R Style CBE to relieve Lieutenant General Fry in May 2006 as Deputy Chief of Defence Staff (Commitments).

- Major General (for Lieutenant General) J N R Houghton CBE to relieve Lieutenant General Brims as Deputy Commanding General Multi-National Force Iraq in October 2005. The Chairman of the US Joint Chiefs of Staff has been informed of his nomination. On his return in March 2006, Houghton will then relieve Air Marshal Sir Glenn Torpy as Chief of Joint Operations.

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I would be grateful if you could inform the Prime Minister of these 3-star appointments. A copy of the career brief for each officer is attached. Thereafter, we will seek the approval of Her Majesty The Queen.

Yours ever,
Chris

J C S BAKER
Private Secretary

Antony Phillipson Esq
10 Downing Street

RESTRICTED – SENIOR STAFF

REAR ADMIRAL C R STYLE CBE

Promotion dates:	Rear Admiral	21 Jan 02
	Commodore	5 Jan 97
	Captain	30 Jun 93
	Commander	30 Jun 88
Specialisation:	Warfare (Under Water Warfare)	
Age on Appointment:	52.3 (for Apr 06)	
Academic Qualifications:	1978 MA (CANTAB) Geography	
Language Qualifications:	Nil	
Major Military & Career Courses	1997 Higher Command and Staff Course	
	1999 Royal College Defence Studies	
Current Appointment:	2004 Commander UK Maritime Forces	

Previous Appointments:

2002	MOD Capability Manager (Strategic Deployment)
2000	HMS ILLUSTRIOUS in Command
1999	Royal College of Defence Studies as Student
1997	MOD as PSO to Chief of Defence Staff
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MAJOR GENERAL (FOR LIEUTENANT GENERAL)
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Promotion Dates:	Jul 2002	Maj Gen
	Dec 1997	Brig
	Jun 1995	Col
Branch/Regt:	Late The Green Howards	
Age (on appointment):	51.6 (18 Oct 54)	
Academic Qualifications:	1985 MA (Modern History) – Oxford	
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Major Military Courses:	1997 Higher Command and Staff Course	
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Current Appointment:	2004 Assistant Chief of the Defence Staff (Operations), Ministry of Defence	

Recent Appointments:

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1999	Director of Military Operations Ministry of Defence
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1994	SO1 Military Secretary 4 Ministry of Defence

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Group Captain	1 July 1996

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Age: 50.1 (22 Feb 56)

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1977	BA (Geography, Economic & Social History)

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RESTRICTED – SENIOR APPOINTMENTS

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SECRETARY OF STATE

MSU 10/14/1J

22 June 2005

cc: NS.

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APPOINTMENT OF NEW COMMANDER-IN-CHIEF FLEET

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I would be grateful if you could seek the agreement of the Prime Minister for this 4-star appointment. Thereafter, we will seek the approval of Her Majesty The Queen.

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Anthony Phillipson
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CONFIDENTIAL – SENIOR STAFF

faxed to UK FCO JP. 3/7/05

From: Nigel Sheinwald
Date: 1 July 2005

JONATHAN POWELL
PRIME MINISTER

PM in contact. Letter to MOD

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SECRETARY OF STATE

MSU 10/14/1J

22 June 2005

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J C S BAKER
Private Secretary

Anthony Phillipson
10 Downing Street

Recycled Paper

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Age on Appointment: 56

Academic Qualifications: Master of Arts (Mathematics) (Cambridge)

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1990	MOD for duties with Directorate of Naval Staff Duties

1. PK
2. PK
Defence Policy
A1.

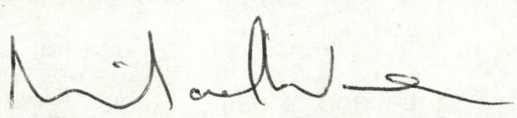
From: Mike Warren
Date: 30 June 2005

Antony Phillipson

DRAFT NOTE FOR PS TO THE DEFENCE SECRETARY

You asked for a draft response to Chris Baker's letter of 22nd June. Please find one attached. Unfortunately, because of the classification, I have had to send it hard copy.

2. I hope this is helpful.





Mike Warren
Defence and Overseas Secretariat
Cabinet Office
0207 276 1166

TRIDENT SUCCESSOR OPTIONS: CONTACTS WITH INDUSTRY AND US

Thank you for your letter of 22nd June, regarding the Defence Secretary's instruction to MOD officials to initiate discussions with selected contacts in industry and the US Government to develop our understanding of possible options for a successor to our current deterrent system. The first approaches to US officials would take place during the week of 27th June.

The Prime Minister is aware of the need to progress work on this issue, and is content with the way ahead proposed. He also welcomed the assurance that approaches would be made on a strictly confidential and classified basis. MOD officials should continue to work closely with the Cabinet Office in taking this forward.

I am copying this letter to Peter Betts (ODPM), James Bowler (HM Treasury), Geoffrey Adams (FCO) and Penny Ciniewicz in the Cabinet Secretary's office.

MINISTRY OF DEFENCE
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E-mail: defencesecretary@mod.uk

SECRETARY OF STATE

MSU 3/1/1/3K

28 June 2005

File

Dear Antony, cc: GN NS

ANGLO-FRENCH CARRIER CO-OPERATION

Further to my note of 16 May, I thought you would welcome a brief update on work by UK and French industry to investigate the scope for co-operation on our respective Aircraft Carrier requirements. I also attach a short note for the Prime Minister, in case President Chirac raises this issue during the G8 Summit at Gleneagles next month. The Defence Secretary will meet Michèle Alliot Marie in September and in October, which gives us useful opportunities to take this forward.

To set the scene, as part of the work towards the Main Gate investment decision, there are two major strands of work. First, 'routine' work to build the case for our own investment decision. This includes the 100 Day Plan, which is the most recent holistic programme review undertaken. This is now complete and will inform the remaining work leading up to an investment decision. Secondly, an ongoing industry study is investigating the potential for France to adopt our Future Carrier (CVF) design as the basis for their requirement for their second Aircraft Carrier (known as PA2). The third phase of work concluded on 24 June 2005, when industry presented the final report to the UK and French Governments at a routine project meeting. While this report will need to be assessed and a view taken on the best way to take the work forward, indications are that co-operation would be technically feasible, provided there is some compromise to the French requirement. This is good news and sets the scene both for significant potential cost savings, let alone the wider benefits of co-operation with France.

The way ahead is, however, dependent on the successful resolution of two key issues: the contracting and the shipbuilding/scheduling arrangements. Industry has been charged with presenting proposals for an overall commercial framework and the final results of this work are due to be discussed in detail by the National Armament Directors on 13 July. A decision by France to enter into

Antony Phillipson Esq
10 Downing Street

a co-operative programme needs to be taken Sept/Oct 2005 to be factored into our Business Case. Any delay will impact directly on our own project timescale (and possibly costs). Following the outcome of the meeting on 13 July, we will need to agree a strategy to engage with France at various levels to ensure we get the best possible outcome for the UK. The Defence Secretary will be meeting Michèle Alliot-Marie in mid-September and again in mid-October, which gives us useful opportunities to engage at Secretary of State level. The MOD Project Leader (John Coles) and Senior Responsible Owner (Rear Admiral Nigel Guild) will discuss possible strategies with Sir Nigel Sheinwald following the meeting on 13 July to allow the Defence Secretary to take a view on the best way ahead before Summer Recess.

I am copying this to Geoffrey Adams (FCO), Matthew Hilton (DTI), Dan Rosenfield (HMT), Sir Nigel Sheinwald and Geoffrey Norris (No 10).

Yours,

IAN FORBER
Private Secretary

AIRCRAFT CARRIERS: ANGLO-FRENCH CO-OPERATION

Lines to take

- **UK & French Industry have been exploring possible co-operation on our respective Aircraft Carrier programmes. Understand preliminary results are encouraging.**

- **Will need political commitment to drive this through but officials need first to validate industry's work – National Armament Directors' discussion on 13 July is the next step.**

- **Co-operation needs to deliver cost savings and not compromise either of our timescales.**

Background

During their meeting in November 2004, the Prime Minister and President Chirac agreed that we should look to increase the co-operation on our respective carrier programmes – CVF for the UK and PA2 for France. Defence Secretaries subsequently exchanged letters on this issue, and since the start of 2005, the third Phase of the joint UK and FR industry study has been investigating the potential for France to adopt the CVF design as the basis for PA2. In March 2005, industry delivered slightly disappointing interim results which led the National Armament Directors (NADs) to direct industry actively to propose co-operative options that will deliver substantial and quantified savings on non-recurring expenditure (such as design costs); make best use of combined assets to reduce production costs; and maximise political benefit.

UK and French industry delivered the report of Phase 3 work to the Governments on 24 June. The report will now be assessed and a view taken on the best way to take the work forward, although early indications are that co-operation would be technically feasible, provided there is some compromise to the FR requirement. However, co-operation will be dependent on the successful resolution of two key issues: the contracting and the shipbuilding/scheduling arrangements. We have charged industry with presenting proposals for a possible commercial framework. The final results of the study are due to be discussed in detail by the NADs on 13 July.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 June 2005

Dear Chris

COMMANDER-IN-CHIEF FLEET

Thank you for your letter of 22 June.

The Prime Minister is content with the recommendation that Vice Admiral Sir James Burnell-Nugent KCB CBE ADC be selected on promotion to Admiral to succeed Admiral Sir Jonathon Bond KCB. The way is clear for you to seek The Queen's approval.

Yours,

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

Sent to PO Department
Ally.

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LONDON SW1A 2AA

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Antony.

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

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SECRETARY OF STATE

MSU 10/14/1J

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OK?

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Defence: policy

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c NS
JPo
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Captain	30 Jun 93
Commander	30 Jun 88

Specialisation: Warfare (Under Water Warfare)

Age on Appointment: 52.3 (for Apr 06)

Academic Qualifications: 1978 MA (CANTAB) Geography

Language Qualifications: Nil

Major Military & Career Courses

1997 Higher Command and Staff Course
1999 Royal College Defence Studies

Current Appointment: 2004 Commander UK Maritime Forces

Previous Appointments:

2002	MOD Capability Manager (Strategic Deployment)
2000	HMS ILLUSTRIOUS in Command
1999	Royal College of Defence Studies as Student
1997	MOD as PSO to Chief of Defence Staff
1997	Higher Command and Staff Course
1995	Deputy Flag Officer Sea Training
1993	HMS CAMPBELTOWN in Command

MAJOR GENERAL (FOR LIEUTENANT GENERAL) J N R HOUGHTON CBE

Promotion Dates:

Jul 2002	Maj Gen
Dec 1997	Brig
Jun 1995	Col

Branch/Regt: Late The Green Howards

Age (on appointment): 51.6 (18 Oct 54)

Academic Qualifications:

1985 MA (Modern History) – Oxford
1980 BA (Hons) (Modern History) – Oxford

Major Military Courses:

1997 Higher Command and Staff Course
1986 Staff College Camberley

Current Appointment: 2004 Assistant Chief of the Defence Staff (Operations), Ministry of Defence

Recent Appointments:

2002	Chief of Staff Headquarters Allied Rapid Reaction Corps
1999	Director of Military Operations Ministry of Defence
1997	Commander 39 Infantry Brigade
1994	Deputy Assistant Chief of Staff G3 O&D Headquarters Land Command
1994	SO1 Military Secretary 4 Ministry of Defence

AIR VICE-MARSHAL (FOR AIR MARSHAL) S W PEACH CBE

Promotion Dates:

Air Vice-Marshal	18 July 2003
Air Commodore	1 January 2001
Group Captain	1 July 1996

Branch/Regt: General Duties/ Navigator

Age: 50.1 (22 Feb 56)

Academic Qualifications:

1998 MPhil
1977 BA (Geography, Economic & Social History)

Major Military /Career Courses:

1999 Higher Command and Staff Course
1990 RAF Advanced Staff Course

Current Appointment: 2003 Director General Intelligence Collection

Previous Appointments:

2000	Commandant, Air Warfare Centre
2000	Air Commander (Forward) Headquarters Kosovo Force, Pristina
1999	Commander British Forces (Italy) Balkans Combined Air Operations Centre, Vicenza
1998	Directing Staff Higher Command and Staff Course
1997	Director Defence Studies JSCSC Bracknell

MAJOR GENERAL (FOR LIEUTENANT GENERAL)
A C FIGGURES CBE

Promotion Dates:

Sep 2000	Maj Gen
Jun 1995	Brig
Jun 1992	Col

Branch/Regt: Late Corps of Royal Electrical and Mechanical Engineers

Age (on appointment): 55.6 (13 Nov 50)

Academic Qualifications:

1983 MA (General Engineering) – CANTAB
1973 BA (General Engineering) – CANTAB

Major Military Courses:

1998 Royal College of Defence Studies
1992 Higher Command and Staff Course
1982 Staff College Camberley
1981 Royal Military College of Science Division 1

Current Appointment:

2004 Technical Director
Defence Procurement Agency
and Quartermaster General

Recent Appointments:

2003 Deputy Commanding General Coalition Joint Task Force 7 and Senior British Military Representative - Iraq
2000 Capability Manager (Manoeuvre), Ministry of Defence
1999 Director Equipment Capability (Direct Battlefield Engagement) Ministry of Defence
1997 Chief Faction Liaison Officer Headquarters SFOR
1995 Commander Equipment Support Headquarters Land Command

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MSU 8/3J

20 June 2005

Gordon,
We discussed briefly in the H.o.C.

QINETIQ

We need to reach an early decision on whether to take the steps which would permit us to decide in September to float QinetiQ in the Autumn. Our partners, the Carlyle Group, are advising that we should do so. It has been the Government's objective since the 1998 Strategic Defence Review to privatise QinetiQ when the time was right. The performance of the business over the last two years, and its prospects in the medium term, suggest that an Initial Public Offering (IPO) in November, provided market conditions remain favourable, would be in our interest as shareholder and accelerate the growth of the company. There may be merit in proceeding now to appoint, jointly with Carlyle, advisers to prepare for an IPO, while reserving until September a final decision on whether to float later this year.

Issue

QinetiQ is the company created from the former Defence Evaluation and Research Agency which is jointly owned by the Ministry of Defence (56.5%)

The Rt Hon Gordon Brown MP
Chancellor of the Exchequer

and the Carlyle Group (33%). It was always envisaged at the time the Public Private Partnership was formed that QinetiQ would progress to flotation and this was reflected in the letter from the Prime Minister to my predecessor setting out his priorities for defence at the start of our second term. Until February 2007, an IPO can only be undertaken if both the Government and Carlyle agree - thereafter Carlyle may decide unilaterally. Carlyle are recommending that we should prepare to make a decision in September to go for an IPO in November, provided market conditions are favourable, and the company's first half-year performance in 2005/6 is adequate. Such preparations would involve the appointment of advisers, and hence would attract City attention and give rise to expectations. The flotation will raise funding for investment and enable Shareholders to sell some of their shares. The precise structure needs further consideration with the help of external advisers, but it could involve the combined MOD and Carlyle shareholding reducing to some 50% in total. Depending on valuation, this might raise some £250m to £300m. Under the terms of the SR04 settlement, the Ministry of Defence is entitled to draw from the Reserve up to £200m over 2006/07 and 2007/08 if receipts from the sale of Qinetiq were not to materialise. The budgetary consequence of not proceeding with a sale therefore falls principally to the Treasury.

On the assumption that we do not wish to surrender control of the timing decision to Carlyle by delaying beyond February 2007, there are two principal timing options: November 2005 (though this could slip into January/February 2006); or June/July 2006, on the back of QinetiQ full year results for 2005/6. In considering the options, there are a number of points to assess.

MOD's Customer Interests

An IPO would remove the levers the Government is currently able to exercise as a majority shareholder. Naturally I have been concerned at the opportunities to which this could give rise for QinetiQ to exploit its market position to MOD's disadvantage. I know your officials share this concern. MOD's business with QinetiQ falls into three broad categories:

a. the Long Term Partnering Agreement for the use of QinetiQ's test and evaluation ranges (£236m of revenue in 2004/5) - a 25-year contract analogous to a PFI deal, with appropriate contractual safeguards;

b. Defence Research (£225m of revenue in 2004/5) - which is progressively being opened to competition;

c. Project Support (£151m of revenue in 2004/5) - where work is competed unless there are value for money grounds for proceeding on a single tender basis.

We assess there are a few technology areas in which we are reliant on QinetiQ. Our interests here, where we cannot compete, are protected by pricing under the Government profit formula. In the unlikely event of QinetiQ failing commercially, we would expect the assurance of MOD business in the areas where QinetiQ had unique capabilities to be an attraction to a company taking over its assets or to an administrator. Such an eventuality would clearly have an unwelcome impact on the timeliness of, for example, defence procurement, but it would be unlikely to have an immediate impact on defence capability, or indeed to create a greater risk than we routinely run with all defence contractors. The risk seems manageable, provided we judge QinetiQ's business to be sound in the medium and longer term, but we will be keeping it under review.

QinetiQ's Performance

Since the PPP in 2003, and excluding the company's US acquisitions, QinetiQ has had organic growth in turnover of 3.5% in 2004/5 and growth of 4.1% is planned for 2005/6. On the same basis, profit before interest and tax has increased from £44m in 2002/3 to £69m in 2004/5 (and is planned to be £74m in 2005/6). While growth in the company's civil business has been lower than we had hoped, there has been significant real growth in the areas of MOD

project support and in commercial defence. Although this is not an outstanding performance, it is an extremely solid one, and Carlyle judge that it is more than adequate for a successful IPO if first half 2005/6 targets are met, and the market conditions are favourable. Our own analysis, conducted jointly with the Shareholder Executive, supports this conclusion.

IPO and QinetiQ Strategy

There are a number of areas in which an IPO could assist QinetiQ's business development. It would accelerate the culture change within the company, as the value of employee shares become transparent and serves to incentivise performance. Customer perceptions of QinetiQ as a Government body (which is a negative factor) would be reduced by a listing (and still further if it were to lead to the ONS classifying QinetiQ as being in the private sector). And it would provide an alternative source of funding for acquisitions (especially in the US) beyond the existing debt facilities. If shareholder value is thus to be enhanced by an IPO, in principle the sooner it happens the better.

Presentation

A QinetiQ IPO would be the first Government flotation since 1996. I am conscious that its success is important for the Government beyond its narrower implications for MOD. An IPO that disappointed investors would be damaging to future floats. A key consideration is that QinetiQ's business should not simply be robust (MOD's very reliance on QinetiQ offers investors assurance on this score) but also offer future growth to sustain its share price in the medium term. The analysis which has been undertaken suggests that this condition can be met. We also need to be sensitive to the significant sums which QinetiQ senior management stand to receive through the share scheme structure agreed at the time of the PPP. We can mitigate the risk of 'fat cat' allegations by insisting on 'lock in' provisions for management following an IPO.

Conclusion

We do not need to - and indeed cannot - decide now whether to float QinetiQ in November. We do need to decide, however, whether to rule out the option, for if we are to keep it open, we need to take action now which will attract public comment. There is sufficient evidence to suggest that November (or possibly January/February) may be the optimal time and the advice of officials from both the Shareholder Executive and the Ministry of Defence is that we should prepare ourselves to be in a position to take it. Proceeding in this way is the strong advice of Carlyle, and also of the non-executive directors of QinetiQ. While we should not be dictated to by those with different interests from our own, equally we should take care to avoid increasing our own responsibility for QinetiQ's future business performance by rejecting their recommendation without good reason. In order to keep the autumn option, open, we would need to take an early decision to begin the process of appointing advisers jointly with Carlyle. This would take us to a position by which, in the Autumn, we can decide that if market conditions are favourable, we should proceed to IPO.

I am copying this letter to the Prime Minister, Alan Johnson and Sir Andrew Turnbull.

Yours ever

John

JOHN REID

Defence : policy.

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Telephone: 020 7218 9000 (Switchboard)

MINISTER FOR
DEFENCE PROCUREMENT

GW CCRG

FROM: LORD DRAYSON

D/MIN(DP)/PD 7/4/12/2

10 June 2005

Dear Alun

MISC 5 – UNINHABITED AIR VEHICLE (UAV) TECHNOLOGIES

Your predecessor wrote to mine on 30 March following on from a MISC 5 meeting earlier in the month, attaching a useful paper on UAV Technologies prepared by your officials.

MOD officials stand ready to respond to proposals from their DTI colleagues on the best approach and methodology for further work. Clearly the timescale for this work slipped due to the General Election. I suggest that officials consider the timescale for further work when discussing it. It will be important to consider our investment in UAV technology in the wider context of the capabilities we need to sustain at BAES; as you will know we are working with the company in the context of Project ORCHID. However, I should be clear that substantial extra MoD investment in this area could only be made at the expense of other areas of higher priority investment for the Armed Forces.

I am copying this letter to the recipients of yours.

Yours ever

Paul Drayson

Rt Hon Alun Michael MP
Minister for Industry and the Regions
DTI

Private Office

INVESTOR IN PEOPLE

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From: **Mark Oakes**
Date: **24 November 2004**

NIGEL SHEINWALD

Copy to:
Jonathan Powell
Margaret Aldred
Antony Phillipson
Kim Darroch
Geoffrey Norris
Ramil Burden
Ken Kehoe

FINMECCANICA : DEFENCE CONTRACTS

Italy has been seeking to link a successful outcome for Finmeccanica in the UK's Falcon communications competition to the selection of Rolls Royce as the supplier of the engines for the French-Italian joint frigate. Castellaneta raised it with you; Lord Bach's opposite number has also offered a deal. This note provides an update on the current state-of-play of these programmes.

1. Project Falcon

Falcon will provide a secure communication system at the tactical level on the battlefield drawing together and connecting other systems such as the Bowman radio and Skynet V satellite. It will form a key component of the UK's network centric capability. The overall total cost of the programme is around £430 million. A decision on the preferred supplier for the first stage of the requirement (costing around £209 million) is due in January 2005.

BAES and **Marconi Selenia Communications** (MSC) are in competition for this programme. Marconi Selenia Communications (previously known as Marconi Mobile) is wholly owned by Finmeccanica.

An internal MoD report issued in the past few days recommends that the **BAES** bid be selected for the initial stage of the Falcon programme. **This decision making process is not complete and the recommendation is extremely commercially sensitive and should not be discussed further.** The BAES solution was assessed to be significantly superior, both in affordability and technical terms, to the MSC bid. The DTI do not believe there are major industrial discriminators, but have underlined the importance of Falcon to the development of BAES' network centric strategy.

2. Franco-Italian Frigate - Frégate Européene Multi-Mission (FREMM)

French and Italian procurement and navy officials are in the process of reviewing the gas turbine engine for the FREMM programme (17 frigates for France with 10 for Italy). Rolls Royce (RR) and General Electric (GE) are competing against each other and early reports suggested that the RR bid was the most expensive. But as Chirac told the Prime Minister at the recent Anglo-French summit, he had asked that the RR bid be re-examined and that they be given a chance to resubmit to close the pricing gap with GE. According to RR the bid they resubmitted on 28 October reflected a significant reduction in price and has brought it in line with the GE offer. RR understand that both the French and Italian navies have formally advised that their

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technical preference is for RR. A decision is due by the end of the month. The announcement will be made by the two prime companies – Armaris (DCN/Thales) and Orizzonte (Fincantieri/Finmeccanica) with backing from the two governments.

3. Comment

The clear superiority of the BAES bid for the Falcon programme makes it extremely difficult (and unwise) to attempt to overturn this decision in favour of MSC in order to secure RR's success in the FREMM programme. Moreover, the French now appear to be leaning RR's way on FREMM. We should aim to secure a decision approving RR before we need to make an announcement on Falcon in January. The advice from Min DP's office is that the French, with two-thirds of the FREMM programme, will hold sway on the engine decision, and that a further lobbying of the Italians is not necessary at the moment. We will continue to monitor the situation and report back if the circumstances change.

MARK OAKES

2. File: DEFENCE Policy

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SECRETARY OF STATE

MSU 3/1/5/1C

9 June 2005

Policy Director

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PS/Minister(AF)
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PDRN-NAWEAD
PDRN-NAWE3
DJC-Pol-D
UKDELNATO – Permrep
UKMILREP
Special Advisers
No 10 – Nigel Sheinwald cc: AP
No 10 – Jonathan Powell
FCO – Geoffrey Adams
Cabinet Office – Margaret Aldred

SECRETARY OF STATE'S BLATERAL MEETING WITH US DEFENSE SECRETARY, DONALD RUMSFELD: 9 JUNE 2005

Summary

The Secretary of State sets out his remit to reinvigorate and better co-ordinate support to Afghanistan. Rumsfeld cautiously receptive. Agreement that staffs will work together to produce a comprehensive campaign planning tool.

1. Donald Rumsfeld was accompanied by Ambassador Galbraith, Chargés Koenig, Mira Ricardel, Lieutenant General Hanlon, Vice Admiral Stavridis, Mr Townsend and Mr Schloss. The Secretary of State was supported by Peter Ricketts, UKMILREP, Paul Flaherty, D NATO, Steve Bates, Special Adviser and yourself.

2. Rumsfeld opened with a number of points on his mind. He wanted NATO to press for the restructuring of **KFOR**. This would make it more not less effective. He remained concerned about the impact of the **EU/China arms embargo** being lifted. If the EU lifted Congress will flair up. Rumsfeld was encountering trouble with even the very best supporters of the Administration, of both parties in Congress. The US badly wanted **NATO Headquarters reform** but had to be subtle in its approach. On the **Ukraine** Rumsfeld got the impression that a few NATO nations who wanted a special relationship with

Russia did not like the NATO policy towards the Ukraine. The reactionary elements were very close to the surface in Ukraine. The Government needed support and any mixed signals from NATO would play into the hands of those who tilt the wrong way.

3. John Reid responded that the UK also favoured the restructuring of KFOR. The UK believed that it was possible to control arms sales to China more effectively through the Code of Conduct. The issue was less imminent than it had recently seemed. This gave us time to have a dialogue with the United States about China. The UK was grateful for the US Administration's response to the House version of the **Defense Authorizations Bill**, which helpfully opposed the provisions which most concerned the UK. The UK would certainly throw its weight behind NATO HQ reform. We could expect resistance, but in parallel with the calls by SACEUR to spend more on defence we had to ensure that this money was spent as effectively as possible on output for the front line. The Ukraine had to look both to the West and to Russia. He agreed the relationship with NATO should be taken forward and deplored the rejection of Ukrainian offers to help with Darfur.

4. John Reid raised **Uzbekistan**. We had been intending to make a forthright statement but understood the US would prefer that this was not done in NATO. We would have to press our message outside the NATO forum but would not say anything today. Rumsfeld explained how it would not have been possible for the US to achieve its security objectives in central Asia without help from Uzbekistan. The US was working on human rights there, but the Secretary of State had not been able to certify HR compliance. The Uzbeks had retaliated by restricting American military flights. Rumsfeld entirely understood the UK would continue to press the Uzbeks outside the NATO forum.

Afghanistan

5. John Reid said that he wished to focus today on Afghanistan. The Prime Minister had talked to the President about the need to reinvigorate progress to support President Karzai, and had asked John Reid to discuss this with Rumsfeld. The UK and the US needed to provide the lead. The UK believed there was a need for a comprehensive campaign plan to support Afghanistan over the long term. We knew the US attached a high priority to the pursuit of terrorists, but was the US also hanging tough in support of building the Afghan nation? The objective should be to build a stable sustainable state because the only alternative was a return to the ungoverned space which spawned the terrorist training grounds in the first place. We needed to support Karzai, build institutions, achieve economic regeneration and impose law and order. If those points were agreed, did we agree that a sustainable stable Afghanistan would depend on breaking the link between narcotics and the Afghan economy? Counter narcotics should be at the core of our strategy not because the drugs came to the West, but because they fatally undermined the process of creating a stable sustainable Afghanistan. The US and the UK had to be the dynamo for this process. The UK would deploy the Headquarters ARRC, move south in

support of Phase 3 expansion and hopefully persuade the US to create a single mission, which need not constrain the fight against the terrorists. A single mission would help to co-ordinate support to Karzai and the linkage of the counter-narcotics and counter-terrorist campaigns. He, John Reid, wanted an agreement with Rumsfeld that they personally should drive this entire agenda. We needed to flesh out a comprehensive campaign plan and to measure its success using the US campaign planning tool as a template. What was Rumsfeld's view?

6. Rumsfeld responded that he did not disagree with most of the analysis. There had been a plan agreed at Bonn. The UK had the counter-narcotics lead and the Germans had the police lead, the Italians lead on the justice system. Delivery on all of this was problematic. He did not think the lead country concept had worked. There was no energy or connectivity. The US had done counter-terrorism but had no funding for its Afghan operations and needed international support to achieve this. Puling together a comprehensive plan from DoD was difficult as the Senate had the lead on criminal jurisdiction issues and State Department the lead on the police. Planning was coalescing but there were still difficulties in co-ordinating delivery of training and security in Afghanistan itself. Counter-narcotics was important because drugs could corrupt and subvert the Parliament and the entire nation. It could not be tackled without a holistic approach including clear Afghan leadership, a strategic communications plan and alternative livelihoods. He anticipated other European countries would wish to be involved because of their own drugs problems. The French also wanted to help in this effort. The US was happy to engage as John Reid had suggested but only on the basis of a comprehensive plan. This must include criminal justice and prison system without which the fight against drugs was doomed. Karzai was managing the warlords reasonably well. He would clearly need to be closely involved in a campaign which affected his relationship with them. We had set out the problem, what was the solution?

7. John Reid said he thought Rumsfeld was agreeing that the US and the UK should engage more closely on reinvigoration on a comprehensive campaign plan. The next step needed to be work on some details. He could then meet again with Rumsfeld, maybe in Washington, to take this process forward. Rumsfeld needed to be aware that generation of a strategic plan for Afghanistan was one of his highest priorities as Secretary of State for Defence.

J C S BAKER
PS/Secretary of State
MB FLOOR 5, ZONE D, 82111 MB
DII: SOFS-Private Office
SOFS-Private Office-S

GC
cc: AP
NS
JPo

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SECRETARY OF STATE

MSU 7/5/3C

7 June 2005

Dear Jack,

As you know, we have been pursuing the sale of three surplus ex-RN Type 23 frigates. There are three potential customers in play, Chile, Pakistan and Belgium and negotiations with each are at varying states of maturity. The decision on to whom we should sell will have significant diplomatic implications. Although there are excellent reasons for selling the ships to any of the bidders, I have decided to proceed with a sale to Chile.

We announced the proposed sale of three Type 23 Frigates last year and had been working on the basis of offering Chile first refusal until earlier this year. At that point, President Lagos pulled back from completing the deal because he did not want news of the sale to affect their candidate's (Insulza) chance of being elected as Director General of the Organisation of American States. Despite intensive lobbying, Chile refused to proceed and we explained that we had no option other than to open the sale up to other countries. In practice, President Musharraf had already registered an interest in these ships and Belgium registered an interest in late December. Negotiations began with each country earlier this year.

The Rt Hon Jack Straw MP
Secretary of State for Foreign and Commonwealth Affairs

There are good reasons for a sale to Chile, which has been and is an important ally in the South Atlantic. Insulza has been elected and Chile seem ready to conclude the deal now. Their Chief of Naval Procurement is in London this week with a £6.5 million deposit for the three ships. Selling the Type 23s to Chile would re-establish our connections and our foothold in the South American market. But Chile is not in the bag yet. The Dutch have recently offered Chile some of their surplus M-Class frigates which have just become available. Also, the revelations of UK/Chilean military cooperation during the Falklands War which will come into focus when the Freedman official history is published could touch a raw nerve in Santiago, perhaps prompting Chile to go slow on the deal once again. We need to move now if we are to secure the deal.

A sale to Belgium would, of course, underline our message about European allies improving their defence capabilities. It would also generate slightly more revenue – around £165M compared to the £140M likely for both Pakistan Chile. Unfortunately, I do not believe a sale is likely. The Dutch frigates will be far more attractive to Belgium since their navy already effectively operates in an integrated fashion with the Dutch.

That leaves Pakistan. The decision to give Chile first refusal effectively precluded Pakistan from making an earlier bid. We are keen to engage with the Pakistanis not least in our fight against terrorism, both in South Asia and here in Europe. Good relations with Pakistan will also be vital in the run-up to our proposed larger deployment to Afghanistan in 2006 and a high profile sale of this nature would go a long way to achieve that. We do not expect any further ship disposals until mid 2009 when the Type 42s reach the end of their operational life so we do not have anything else to offer them at the moment. The Pakistan Navy is not, however, the key player in Pakistan and a sale of naval equipment will always have far less effect than a sale of equipment to the Pakistan Army. It is telling that the Pakistan Deputy Defence Minister, Zahad Hamid, did not raise the issue with me when we met at the weekend in the margins of the IISS Conference in Singapore.

Taking into account all these arguments, and subject to your views, I have decided that we should proceed with a sale to Chile as soon as it can be arranged. Pakistan will need particularly careful handling when we announce this publicly. I propose to follow-up my meeting with Hamid and look to visit Pakistan later in the year.

I am copying this to the Prime Minister, DOP colleagues and Sir Andrew Turnbull.

Yours ever,

JOHN REID

MINISTERIAL COMMITTEE ON DEFENCE AND OVERSEAS POLICY

ATTENDANCE LIST

in **The Cabinet Room, No.10**

on **MONDAY 6 JUNE 2005**

at **10.30AM**

Name	Department Organisation	Pass No	Time In	Time Out
The Prime Minister				
The Deputy Prime Minister	ODPM			
The Rt Hon Jack Straw MP	FCO			
The Rt Hon Dr John Reid MP	MOD			
The Rt Hon Hilary Benn MP	DFID			
The Rt Hon Des Browne MP	HMT			
The Rt Hon Charles Clarke MP	HO			
The Rt Hon Dawn Primarolo MP	HMT			
The Rt Hon Elliot Morley MP	DEFRA			
General John McColl	MOD			
General Sir Michael Walker	MOD			
Sir Michael Jay	FCO			
Sir Andrew Turnbull	CO			
William Ehrman	Chairman JIC			
Sir Nigel Sheinwald	No.10			
Grace Cassy	No.10			
Margaret Aldred	CO			
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cc NS
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RB

File

FROM: SOES

MINISTERIAL SUPPORT TEAM
FLOOR 5 ZONE A
MOD MAIN BUILDING
HORSE GUARDS AVENUE, LONDON, SW1A 2HB
TEL NO: 020 7218 6224/7122
FAX NO: 020 7218 7140

17/05/2005

TO: Antony Phillipson Esq

1) cc: Sir A Turnbull
M Aldred
M Oakes

FAX NO. :

FOR THE ATTENTION OF:
(IF DIFFERENT FROM ABOVE)

2) ~~AP~~
Good, and broadly positive. Are OD Sec happy with the conditions set out at the end? NJ
A/v

MESSAGE:
Please see amended version of letter sent to you earlier today by post. Please replace with this version. Sorry for any inconvenience caused.

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SECRETARY OF STATE

DNP cc NS JPo

MSU 7/4/1/4C

16 May 2005

Dear Antony,

FUTURE AIRCRAFT CARRIER: CO-OPERATION WITH FRENCH

I though you would welcome an update on cooperation with the French on procurement of our respective future aircraft carrier projects. There have been some positive developments in recent weeks. We are pursuing actively options for co-operation and exploring how to incentivise industry to deliver the potential benefits. The next output from industry is due in the summer and will enable a more detailed assessment on the benefits (and risks) of co-operative options.

Rear Admiral Nigel Guild briefed Nigel Sheinwald in February on the future aircraft carrier project (CVF) – and, in particular, our co-operative engagement with France, which is procuring a second carrier vessel (known as Porte-Avions 2 or PA2). An update is timely given recent developments.

We have been discussing cooperation issues with the French for some time. Learning from previous naval co-operative programmes, this effort has been focussed at the Industry-to-Industry level. The second phase of the industry-to-industry work concluded in November 2004, and assessed that modest savings (€ 25-70M) could be made through procurement of common equipment at the system and sub-system level. A third phase was then due to focus on detailing

Antony Phillipson Esq
10 Downing Street

how these savings could be delivered but it became apparent that, at the highest levels in France, there was an appetite to consider wider forms of co-operation. At the end of 2004, President Chirac directed that French Navy and industry should reconsider whether the UK-designed CVF could be adopted as a solution to meet the French requirements for PA2. To this end, since February 2005 a team from French industry has been lodged with the CVF project team in Abbey Wood undertaking a detailed assessment of the UK design.

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a. Co-operation is only worth doing if it saves money without delaying the timeline to ISD and without increasing the overall risk to our programme.

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c. France should pay an entry fee in the same way the UK paid an entry fee to France and Italy for entry into the PAAMS missile project. We have made a proposal to the French for a contribution to the sunk costs that will have been expended on the CVF Assessment phase.

d. The onus is on industry to provide a largely common solution to meet the separate requirements of our two navies. We do not wish to harmonise two sets of national requirements as it would induce major delays and, in all probability, cost escalation.

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A considerable amount of the project's time is now devoted to Anglo-French co-operation. Finding the right method of incentivising industry in both countries to deliver a best-for-project solution will be challenging. A further update will provided in due course when we have some of the high-level conclusions from the industry work. The Defence Secretary will take the opportunity of

forthcoming bilateral meetings with Madame Michèle Alliot-Marie to stress our commitment to exploring co-operation.

I am copying this letter to Geoffrey Adams (FCO), Matthew Hilton (DTI), Dan Rosenfield (HMT) and Sir Nigel Sheinwald.

Yours, J. Forber

IAN FORBER
Private Secretary

02072385727

Nobel House
17 Smith Square
London SW1P 3JR

Telephone 08459 335577
Email secretaryofstate@defra.gsi.gov.uk
Website www.defra.gov.uk

defra
Department for Environment
Food and Rural Affairs

DI
GN
RB
AP

The Rt Hon John Reid MP
Secretary of State for Defence
Ministry of Defence
Floor Zone D
Main Building
Whitehall
LONDON
SW1A 2HB

16 May 2005

From the Secretary of State
The Rt Hon Margaret Beckett MP

Dear John.

I am replying to the letter sent by your predecessor as Secretary of State for Defence, Geoff Hoon, dated 29 April 2005.

I accept that in view of the Government legal position agreed at 29 April 2006 meeting – that, having now considered all the issues, there is no defensible legal basis for resisting disclosure of the Nirex site information – we should move to managed release of this information at an early date on the basis of collective decision. I also agree to the proposal that those requesting the information from MoD should be informed that a decision has been taken in principle to release the information. I should further like to see a date for such release identified and agreed between Government and Nirex as soon as possible, to ensure that this process is not further drawn out.

I am prepared to see Nirex proceed with their proposed stakeholder consultation workshop on 26 May 2005, but believe that this must arrive at a definitive decision, rather than being allowed to carry forward to any further consultation initiatives or events. Only in this way can we adhere to a pre-agreed release date in June 2005. But I would not wish there to be any discussion of future facility siting criteria at the workshop as this will be part of the next stage of the "Managing Radioactive Waste Safely"

programme to be led by Government. Given that this workshop goes ahead as a one-off event, we are left to decide when we might aim for release.

I know the CoRWM Chair, Gordon MacKerron, has argued for a release date prior to the Committee's next National Stakeholder Forum meeting on 7/8 June 2005. But, given the 26 May 2005 workshop date, and the subsequent intervention of the Bank Holiday, I suspect that such an early release might not be achievable. My personal view is that Government and Nirex should be looking to agree a release date in the second or third weeks of June, prior to the end of CoRWM's current consultation phase of work on 27 June 2005.

On release handling, my view remains that the release must be dealt with as a standard freedom of information release handled by MoD in conjunction with Nirex. For Defra to intervene, for example by writing to MPs and local authorities, would belie the assertion that this is historic information that is not relevant to the currently ongoing CoRWM programme.

In respect of the release, I believe that it is important to work to common briefing and explanation. I take this to apply to both Government and Nirex, and believe that Nirex should consult and agree with Government officials on the nature and extent of the material that they propose to issue. In particular, I believe that the form of release, and anything said in respect of it, must look to safeguard the CoRWM programme. Over presentation, that overplays the significance of this historic information, could, potentially, run counter to this.

I am copying this response to the Prime Minister, Charlie Falconer, Ian Pearson, Alistair Darling, Daniel Thornton (No 10), Rob Fellgett (Cabinet Office), Jonathan Jones (LSLO) and Chris Murray.

Regards

Margaret

MARGARET BECKETT

RESTRICTED – COMMERCIAL – UK EYES ONLY

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E-mail: defencesecretary@mod.uk

SECRETARY OF STATE

DA cc NS JPo.

MSU 7/4/1/4C

16 May 2005

AP

Yes. See my report to OD Sec

JS: this seems reasonably positive – but we need to watch X. And Y could be problematic. PM should raise with Chirac when they meet

Ang.

Dear Antony,

FUTURE AIRCRAFT CARRIER: CO-OPERATION WITH FRENCH

I though you would welcome an update on cooperation with the French on procurement of our respective future aircraft carrier projects. There have been some positive developments in recent weeks. We are pursuing actively options for co-operation and exploring how to incentivise industry to deliver the potential benefits. The next output from industry is due in the summer and will enable a more detailed assessment on the benefits (and risks) of co-operative options.

Rear Admiral Nigel Guild briefed Nigel Sheinwald in February on the future aircraft carrier project (CVF) – and, in particular, our co-operative engagement with France, which is procuring a second carrier vessel (known as Porte-Avions 2 or PA2). An update is timely given recent developments.

We have been discussing cooperation issues with the French for some time. Learning from previous naval co-operative programmes, this effort has been focussed at the Industry-to-Industry level. The second phase of the industry-to-industry work concluded in November 2004, and assessed that modest savings (€ 25-70M) could be made through procurement of common equipment at the system and sub-system level. A third phase was then due to focus on detailing

Antony Phillipson Esq
10 Downing Street

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Yours, J. Forber

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Private Secretary

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SECRETARY OF STATE

MSU 7/4/1/4C

16 May 2005

DCO – think this was replaced by a fuller version

Dear Antony, cc: NS (our copy)
GN
RB

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Yours,

IAN FORBER
Private Secretary



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 May 2005

Dear Chris

APPOINTMENT OF SECOND SEA LORD AND COMMANDER-IN-CHIEF NAVAL HOME COMMAND

Thank you for your letter of 10 May.

The Prime Minister has been informed of the selection of Rear Admiral A J Johns CBE to fill the post of Second Sea Lord and Commander-in-Chief Naval Home Command in the rank of Vice Admiral. So the way is clear for you to seek the approval of Her Majesty The Queen.

Yours,

ANTONY PHILLIPSON

Chris Baker
Private Secretary
MoD

RESTRICTED – PERSONAL

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SECRETARY OF STATE

MSU 10/14/1C

10 May 2005

Dear Antony

APPOINTMENT OF SECOND SEA LORD AND COMMANDER-IN-CHIEF NAVAL HOME COMMAND

The current Second Sea Lord and Commander-in-Chief Naval Home Command, Vice Admiral Sir James Burnell-Nugent KCB CBE ADC, is due to be relieved in his current post in October 2005. On the recommendation of the Chief of Naval Staff, as Chairman of the Flag Selection Board, the Defence Secretary has endorsed the selection of Rear Admiral A J Johns CBE, to fill the post in the rank of Vice Admiral. A summary of his details is attached.

I would be grateful if you could notify the Prime Minister of this 3-star appointment. Thereafter, we will seek the approval of Her Majesty The Queen.

Yours ever,
Chris

J C S BAKER
Private Secretary

Antony Phillipson Esq
10 Downing Street

RESTRICTED – PERSONAL

REAR ADMIRAL A J JOHNS CBE

Promotion Dates:	Rear Admiral	May 2003
	Captain	December 1994
	Commander	June 1988
Specialisation:	Warfare Officer	
Age on Appointment:	54	
Academic Qualifications:	Bachelor of Science – Physics	
Major Military & Career Courses:	Higher Commander and Staff College – 2001 Royal Navy Staff College – 1983	
Current Appointment:	2003 Assistant Chief of Naval Staff	

Previous Appointments:

2001	HMS OCEAN in Command
2001	Higher Command and Staff Course as Student
1998	Ministry of Defence for duty with Chief of Defence Staff as Principal Staff Officer (as Commodore)
1997	Ministry of Defence for duty with Director Naval Plans as Assistant Director (Warfare)
1996	Captain Royal Navy Presentation Team
1995	HMS CAMBLETOWN in Command
1994	Ministry of Defence for duty with Directorate of Naval Operations as Assistant Director (Air)
1992	Ministry of Defence for duty with Directorate of Naval Plans as Desk Officer
1990	HMS RALEIGH as Commander Part 1 Training
19789	HMS ARIADNE in Command