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20th June, 1960

CABINET

SKYBOLT

Note by the Minister of Defence

During my recent visit to Washington, I concluded a memorandum of understanding with Mr. Gates, the United States Secretary of Defence, about the development of SKYBOLT. A copy is attached at Annex A. The next step is for H.M. Ambassador, with help from the Ministry of Aviation, to conclude the technical and financial agreement referred to in the last sentence of the memorandum.

2. Heads of agreement have been drafted; their essence is contained in the draft covering agreement at Annex B, which will be supplemented by a more detailed technical agreement. It is proposed that we should bear only such extra development costs as are incurred in meeting our needs. In due course, when the time comes to place a production order, we shall pay the cost of production without contributing to the underlying development costs. This, I understand, corresponds to normal United States practice when supplying friendly Governments.

3. We have not so far had to state the number which we shall require; I have only said that we shall need a hundred or more. In fact I foresee our requirement as being 144 plus a percentage for spares and proof firings. I attach at Annex C a rough estimate of costs, but it is impossible yet to say what the cost of the finished article will be - hence the two brackets of cost which I have given for purposes of illustration.

4. I ask my colleagues to approve the memorandum of understanding which I have signed, and to agree that H.M. Ambassador should be instructed to negotiate the technical and financial agreement.

H. W.

Ministry of Defence, S. W. 1.

17th June, 1960

ANNEX ASKYBOLTMEMORANDUM OF UNDERSTANDING

The United States Secretary of Defense and the Minister of Defence of Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland express their determination that the two countries shall co-operate in the development of the SKYBOLT missile to permit it to be adopted both by the United States Air Force and the Royal Air Force.

Mr. Gates affirms the intention of the United States Government to make every reasonable effort to ensure the successful and timely completion of SKYBOLT development and the compatibility of the missile with Rpyal Air Force Mark II V-bombers; and agrees that Her Majesty's Government should have full access to all the necessary information on the project. Mr. Watkinson states that if the missile is successfully developed and is compatible with Mark II V-bombers Her Majesty's Government intend to place an order with the United States Government for about one hundred missiles and their associated equipment. The warheads would be provided by Her Majesty's Government.

Mr. Gates reaffirms on behalf of the Government of the United States the sale of the SKYBOLT missile, minus warhead, to Her Majesty's Government shall be as outlined by President Eisenhower in his memorandum to Prime Minister Macmillan on 29th March, 1960, as amended.

Mr. Gates welcomes Mr. Watkinson's offer to provide the services of selected scientific staff to maintain liaison with the United States' development agency and to co-operate in the development program.

Mr. Gates and Mr. Watkinson authorise their staffs to proceed with the negotiations of a technical and financial agreement in accordance with the foregoing.

(Signed) Harold Watkinson
Minister of Defence of the United Kingdom

(Signed) Thomas S. Gates, Jr.
Secretary of Defense of the United States

Washington, D. C.
6th June, 1960

ANNEX BDRAFT
UNCLASSIFIEDAGREEMENTSKYBOLT

The Government of the United States and Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland agree to co-operate in the development of the Skybolt missile to permit it to be adopted both by the United States Air Force and the Royal Air Force. This agreement provides for the development and supply of missiles, together with re-entry vehicles (without warheads), associated equipment and the supply of spares.

2. In the development stage of the missile, the United States Government will make every reasonable effort to ensure its compatibility with Royal Air Force Mark II 'V' bombers; and will provide Her Majesty's Government with all necessary information, drawings, specifications, etc. to ensure that Mark II 'V' bombers are ready to receive the missiles by the time these are available to the United Kingdom.

3. The two Governments agree to share the cost of the development programme as follows:-

(a) United States Government

Development of the missile and its associated equipment.
Provision of all facilities at United States Air Force bases for development and acceptance trials.

(b) Her Majesty's Government

Development of Royal Air Force 'V' bombers to operate Skybolt.
Maintenance and operation of 'V' bombers in the United States as required for development and acceptance trials.
Any costs incurred by the United States Government in executing that part of the agreed development programme for the missile and its associated equipment arising solely out of the needs of Her Majesty's Government.

4. The Government of the United States welcome the offer by Her Majesty's Government to provide free of charge the services of selected scientific staff to co-operate in the development programme, and agree to facilitate the presence of United Kingdom technical experts to maintain liaison with the United States development agency and contractors.

5. Provided the missile is successfully developed and its compatibility with Mark II 'V' bombers assured, the Government of the United States will make available on repayment an equitable share of production for Her Majesty's Government, such share to be determined by agreement.

6. The Government of the United States and Her Majesty's Government agree that purchase of the missiles shall be subject to the standard conditions applicable to any sale of weapons of United States manufacture under United States law.

June, 1960

ANNEX CSKYBOLT CAPITAL COSTS

	<u>1961/2</u>	<u>1962/3</u>	<u>1963/4</u>	<u>1964/5</u>	<u>1965/6</u>	<u>1966/7</u> to <u>1969/70</u>
	<u>£ millions</u>					
SKYBOLT Weapons						
(1) at £0.25 millions each	-	-	-	5.0	15.0	19.5
(2) at £0.5 millions each	-	-	-	10.0	30.0	39.0
Aircraft modifications and equipments	-	-	1.5	5.0	6.0	1.8
<u>Research and Development</u>						
SKYBOLT	1.1	6.9	7.9	4.6	0.3	nil
'V' Bombers (Skybolt only)	0.3	0.5	0.4	0.3	-	

NOTES:(i) Dollar Content

If SKYBOLT is obtained at £0.25 millions each the total capital cost is therefore estimated at £76.5 millions of which perhaps £68 millions would be in dollars. With SKYBOLT at £0.5 millions total costs might be £115.5 millions with a dollar content of £108 millions. The assessment is that full cost of the weapons, two-thirds of the aircraft modifications and equipment and the bulk of the research and development would be in dollars. In addition, there would be a dollar element in running costs for spares, etc., which might amount of £5 millions a year when the force was fully built up.

(ii) Warheads

These figures do not include the cost of the nuclear warheads.

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