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C. (60) 130

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CABINET**BLUE STREAK****NOTE BY THE PRIME MINISTER**

My colleagues will have read the report by officials circulated to the Cabinet as C. (60) 129. The aim of this note is to set out briefly the main political considerations, as I see them, which we should have in mind in deciding what to do about BLUE STREAK.

2. First, the problem we have on our hands is not to decide to what extent we should go in for space research, but *whether to proceed with the development of a British launcher*. The original military project has now been run down to the stage at which the continuation of the development of the elements that would be needed for a satellite launcher is costing about £1 million a month. Expenditure will continue on a provisional basis at this rate until we decide either to confirm the programme or to cancel it.

3. The cancellation of BLUE STREAK as a weapon has had a profound impact on public opinion. There is a growing recognition that the United Kingdom is a relatively small Power which cannot hope to compete with the efforts of the giant Powers in all fields. If we now cancel BLUE STREAK altogether, will the decision be generally regarded as a further step in the direction of prudence and realism, or will it be held to mean that we are becoming increasingly, and to an undesirable extent, dependent on the United States?

4. It is in the light of this intangible consideration of prestige that we have to consider whether the potential value of developing a launcher, either from a commercial point of view in the future, or for purposes of international co-operation, would justify spending £50 millions or more in the next four or five years.

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5. The commercial possibilities, even in telecommunications, are still quite speculative. Nor do we know at present how much value to attach to the possibility of international co-operation. Australia is in a special position and if we go on with BLUE STREAK we must do so in partnership with her. Any wider degree of co-operation, with European or Commonwealth countries, or both, would involve a mixture of advantages and disadvantages covering a wide range of political, strategic and financial considerations which are analysed in the officials' report. We know that the French Government in particular might for various reasons like to be associated with the development of BLUE STREAK as a space launcher. Such a course would have its difficulties for us but, if satisfactory terms could be arranged and the project had the goodwill of the Americans it might offer us significant political as well as financial benefit.

6. The Cabinet have accepted that there is an urgent need to limit the prospective increase in supply expenditure. It may be that the only reasonable assumption to make is that if we are to go ahead with BLUE STREAK, the costs falling on the Exchequer must be met by compensating reductions in some other field of public expenditure. To find room, in either the civil or the defence field, would call for significant changes in policy, which could only be worked out over a period of months. Of course the extent to which savings have to be found will depend on whether or not we could turn BLUE STREAK into a co-operative project and if so how much financial assistance we could get from our partners.

7. What we have to decide is whether, even taking into account the political considerations, the rewards which the development of BLUE STREAK would offer justify a final decision now to proceed with the development programme. Certainly we cannot afford this as an additional commitment, without seeing our way to find some compensating savings. One course would be to allow the development programme to carry on, on a provisional basis, until (say) the end of the year. This would cost about £1 million a month. It would give us two or three months' time (not more) in which to explore with the Australians, the United States, and perhaps the French and other European countries, what possibilities exist of undertaking a co-operative project. It would also give us time to examine the possibility of making room for the expenditure.

H. M.

*10 Downing Street, S.W. 1,
20th July, 1960.*

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