

DSG (RAMAFJ)

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cc: Sir P. Coadock

10 DOWNING STREET

From the Private Secretary

5 April 1986

Dear John,

NIMROD AEW

The Prime Minister is reflecting upon the report on the difficulties encountered with the Nimrod AEW project, contained in the Defence Secretary's minute of 26 March. She has commented, however, that it is not a very thorough report and conceals more than it reveals.

It would be helpful to further consideration here to have the following additional information:

- (i) did the Ministry of Defence specifically turn down the proposal made by GEC in 1978 for a 'ground moving target' filter?
- (ii) a copy of the submission made to Ministers about the project when the Conservative government came to office in 1979, and details of which Ministers were consulted;
- (iii) there is a reference in the chronology to a report being made in August 1980 at CA's Project Review that the basic soundness of the programme and the ability to complete it within the MOD's time and cost estimates were not in doubt. Who was the report by? Was it a written report? If so, may we please see it.
- (iv) a more precise statement of the criteria against which the decision in April 1983 to continue with the project was taken;
- (v) the chronology shows that progress payments were suspended in October 1983, but all but £2 million of them were released by the end of April 1984. Why were they released against no more than an undertaking by GEC to submit incentive price proposals? Why were the proposals themselves not awaited before release?
- (vi) why did it take until 1984 to negotiate a better type of contract than cost-plus, when the current version of the contract specification is dated February 1981?

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- (vii) which other Ministers were consulted when the then Defence Secretary decided to terminate the existing development contract in late 1984?
- (viii) the Prime Minister was herself informed in June 1985 by the then Defence Secretary and Mr. Levene that the MOD were suspending payments to GEC there and then until satisfactory assurances about future performance were received and agreement or risk-sharing reached. In fact payments do not appear to have been suspended until February 1986. Why this discrepancy? Why was the agreement apparently reached with Lord Weinstock in May 1985 not adhered to?

Could I please have answers to these points by 1600 on Thursday 10 April.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Attorney General and to Sir Robert Armstrong.

Yours sincerely,

Charles Powell

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John Howe, Esq.,
Ministry of Defence.