

Personal



THE GENERAL ELECTRIC COMPANY, plc.

1 STANHOPE GATE · LONDON W1A 1EH

01-493 8484

Appointment

made for
17.45 on 16
December.

8 December, 1986

AGJ.

Dear Margaret,

I enclose a copy of a letter
Jim Prior has sent to a few of his ex-colleagues
in the Cabinet.

The AEW issue is really of critical
importance and I would be grateful if, even
in the midst of your many other pre-occupations,
you would spare me twenty minutes or so in
the course of the next couple of days.

Yours,

Arnold

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FROM THE CHAIRMAN
THE RT. HON. JAMES PRIOR, MP

The Rt. Hon. the Viscount Whitelaw, CH, MC,
Lord President of the Council
& Leader of the House,
House of Lords,
LONDON S.W.1.

PRIVATE & CONFIDENTIAL

5th December 1986

At this critical time, I thought I should write to give you the reasons why the Government should stick to its original decision to buy the Nimrod Airborne Early Warning System (Nimrod). GEC has taken a great deal of criticism for what has happened in the past; some of it is justified, but most of it would have been more properly directed at MOD and the system which governed its procurement policy.

The new contract arrangements which we accepted last March are uniquely onerous, and are in themselves a recognition of the vital importance we attach to the project. The lavish attention it is receiving from Boeing and the very fact that they are prepared to make exaggerated claims and promises is an indication of the potential work load they see in this field. Barring some sub-contract work, this will be lost to Britain, and with it prospects for £2½ billion of exports, together with the jobs of 2,500 people already employed on the project.

GEC is satisfied that Nimrod can do the job, but we are worried that some of the main issues presently at stake have been obscured in what is an unavoidably complex matter. This is because comparisons between a mature system and one still in course of development are bound to reflect adversely on the latter unless the criteria of judgement take full account of the operational

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improvements which will accrue to it. I am uneasy that the RAF has never relinquished its original desire for AWACS and this may affect MOD's objectivity in making its assessment between an in-service AWACS and a Nimrod dependent on further development for its enhanced operational performance.

Recent performance demonstrations should have eliminated any doubts about Nimrod's ability to meet the RAF's requirement. Although there is still nearly two years' development work to bring the system to full operational standard, three aircraft can be an effective patrol within a year to take over from the old Shackletons.

GEC's bid is fixed price and we offer to be paid only 50 per cent during the period up to completion, the balance being payable only when the ASR Cardinal Point Specification is met. This commitment on our part can only be given because of our confidence to complete the job satisfactorily, and should be enough to convince even the most sceptical observer.

The management and contractual agreements established in 1977 were quite ineffective to deal on a satisfactory basis with the intricacies of the complex Nimrod programme. Norman Lamont recognised this in the February debate on the RAF, during which he said "It is certainly not my wish to ascribe blame to any party, nor indeed to seek to escape blame. I am sure that this is not a project of which anyone can be proud.". However, it is fair to point out that the project was managed by MOD and run by them by reference to control of month-by-month expenditure rather than against a timetable of achievements. (To give two examples: the need for a vehicle filter to remove false tracks and clutter caused by picking up vehicle movements was proposed by GEC in 1978 but rejected on the grounds of not being required for Nimrod's operational role; secondly, on numerous occasions from 1977 onwards, the need for a larger capacity computer

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was brought up but never sanctioned). I know we should have refused to continue; but for one reason or another we didn't, and that is where we were at fault.

The 1986 contract in which GEC was for the first time given complete management responsibility has since provided a sound framework within which the programme has made significant progress. This is recognised by statements made by David Trefgarne and others.

An important reason for the Government's 1977 decision to proceed with Nimrod rather than buy AWACS was that the Nimrod Radar and its associated avionics were to be designed to meet the specific needs of the United Kingdom. The Nimrod system still has this advantage; further, since its development began about ten years later than the American AWACS, it stands on a newer technology base and will be more readily adaptable as the threat to the UK changes in the future.

Nimrod will cost less. The eleven aircraft and their equipment have already been built, and the cost of modifying the equipment to meet the RAF's current specification must obviously be very much lower than the price of the equivalent number of AWACS with their radars and other avionics. The cost of maintaining and supporting the two types of aircraft over their projected lives is unlikely to be very different, but such differences as have been identified are in Nimrod's favour.

Several countries are coming to realise that they need an AEW capability. But apart from the GEC Avionics system developed for Nimrod, the only AEW systems available are American. Since there is now no UK airframe available, GEC Avionics has worked with Lockheed-Georgia on a version of the Hercules (C 130) designed to take our Nimrod Mission System. The Hercules is already in extensive service by many of the world's air forces and is thus a very acceptable platform. There is a very good

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chance of success with this machine; Lockheed has worldwide connections, and GEC Avionics' export performance far exceeds that of any of its UK competitors. Of an outstanding order book amounting to £1.1 billion, about £500 million is for the United States Department of Defense, eloquent testimony, surely, to its efficiency and competitiveness.

In his letter of 16th February, 1977 to the then Prime Minister, Arnold Weinstock said that GEC could produce an airborne early warning system which would be cheaper, better and more quickly available than the alternative on offer. I think it has been proved since March that had we been given the opportunity from the beginning to manage the contract, we could have fulfilled all three. The delay in delivery is now past recall, but in terms of cost and performance we are still well ahead, and we can add to that the export potential which is much clearer now than it was then.

We are determined to make Nimrod a great British product: it would be tragic if we were not allowed to do so.