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PRIME MINISTER

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MEETING OF MINISTERS: NIMROD/AWACs

You are to have a preliminary discussion of this difficult issue with senior colleagues tomorrow. The Lord President, the Defence Secretary, the Trade and Industry Secretary, the Chancellor, the Chairman and the Chief Whip will be present. (The MOD's head of research and development, Sir Colin Fielding, is also available.) There will be a more formal discussion in OD on 17 December (and in Cabinet if necessary on 18 December). You and the Defence Secretary are to see Lord Weinstock on 16 December.

The Defence Secretary's paper for OD is in the folder (A). It comes down firmly in favour of the Boeing AWACs.

In essence the MOD argue that Nimrod's performance as of today is grossly inadequate. They do not believe that an acceptable standard can be achieved by 1989. They reckon that it would take until the mid-1990s, if ever, and that this is just too long to wait. The Boeing E-3A on the other hand fully meets the technical standard (indeed exceeds it) but costs a lot. Buying 8 of them would cost £420 million more than completing the 11 Nimrods needed (leaving aside what has already been spent on Nimrod). This gap could be closed by reducing the order to 6. This is fewer than the RAF need, but they would still prefer 6 Boeings which work to 11 Nimrods which don't work properly. There are also implications for jobs. GEC claim that cancellation of Nimrod would cost 2,500 direct and 3,700 indirect jobs mostly in Hertfordshire and Cheshire. MOD reckon 2,000 and 3,000 would be more accurate. But Boeing are committed to 130% offset and the overall jobs effect is likely to be neutral.

The Chief Scientific Adviser (B) supports the MOD decision. While we shall lose some interesting technology, it is technology which appears to have little commercial future.

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The Policy Unit (C) suggest some questions which you need to ask.

Jim Prior's letter (D) gives a clue to the sort of objections which GEC will raise to a decision in favour of Boeing.

There are notes on presentation (E) by Bernard Ingham and Stephen Sherbourne.

You may want to take discussion tomorrow under two headings: technical and political.

TECHNICAL

The need here is to subject MOD's arguments against Nimrod and in favour of Boeing to destruction testing. No-one doubts that Boeing is better. But that is not really the question. We are not starting from scratch but from a situation where nearly £1 billion has been spent. You need to know whether GEC are so bad that they cannot produce an adequate system in an acceptable time-scale. The judgement is bound to be largely subjective even for experts. But you need to get the feel for how strong the evidence against GEC ever making the grade is; and how well the case can be made to stand up in public. This means getting the MOD to bring all the skeletons - changes in specification, dislike of GEC etc - out of their cupboard now, rather than waiting until the Government is publicly committed.

POLITICAL

There is a difficult balance to be struck. If you take a chance on Nimrod, the Government will get a relatively smooth ride now. But the decision could return to haunt you in a year or two's time if Nimrod still doesn't work. That has been the problem with Nimrod all along.

If you decide on Boeing AWACs, you will face a battle with GEC (who will fight dirty). 71 Government backbenchers have already put their names to an EDM supporting Nimrod. The Government will be made to look unpatriotic, particularly because the case for Boeing is best made by pointing out the inadequacy of the British company GEC. The Opposition will wrap themselves in the Union Jack. You will also have to explain away why the Government fiddled for so long while GEC floundered, instead of cutting the taxpayers' losses well short of the £900 million now down the drain. In short you will need to work up a very strong presentation: and a team under Bernard should start work on this straight after your meeting tomorrow.

Above all, you will want to ensure that all your principal colleagues are fully committed to the decision you take - which must surely be in favour of Boeing. It will be very much more difficult to sustain a decision in favour of AWACs if there is sniping from within the Government.

C.D.P

Charles Powell

10 December 1986

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