

cc: [unclear]

PRIME MINISTER

## MEETING WITH LORD WEINSTOCK

Lord Weinstock is coming to see you tomorrow about the AEW contract. The Defence Secretary will also be present. There is only half an hour for the meeting.

You will want to see the MOD's note dealing with criticisms which GEC have made of the handling of this contract.

You will want to make clear to Lord Weinstock that the Government's decision will be reached on the basis of a technical judgement about the relative ability of Boeing and GEC to meet the requirements. No-one is disparaging what GEC have done since they finally took a serious interest in this contract. And no-one would be happier than you if the contract could go to the British firm. But the technical judgement is likely to be that there is simply too much ground for GEC to make up. After nearly a decade of waiting, you are determined that the RAF should have equipment which we are certain will enable them to do the job.

You might also say that you deplore the attempt to stir up a political row about this. There are no politics in the decision. If the Government have been guilty of anything, it is of giving GEC the benefit of the doubt for far too long. The last thing you want to do is damage GEC's reputation. But the more the Government are attacked, the more they will be forced to defend themselves and their defence is bound to bring out the extent to which GEC have let down the RAF and indeed the country by their failure to produce the goods and to live up to the undertaking in Lord Weinstock's 1977 letter. It would be absurd for GEC and the Government to be attacking each other when:

- (i) GEC have lost virtually nothing on this contract, indeed they have enjoyed a steady income from it;

- regularly*
- (ii) the MOD are responsible for something like 15-18% of GEC's annual turnover. Last year their payments to GEC were over £800 million; *perhaps that over £1 billion*
- (iii) GEC get a larger share of ATP than any other British company (nearly £70 million in their own right or as part of consortia over the last eight years, equivalent to 15% of total ATP).

You would much prefer to concentrate on future cooperation than get involved in a slanging match.

*C.P.*

CHARLES POWELL  
15 December 1986

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