



MINISTRY OF DEFENCE
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MO 26/7/3V

16 December 1986

Dear Charles,

AEW COMPETITION: MEETING WITH LORD WEINSTOCK

You may find it helpful in preparation for the Prime Minister's meeting this evening with Lord Weinstock to see a copy of the record of my Secretary of State's meeting yesterday with Mr Prior.

The main thrust of Mr Prior's message was one with which we have become very familiar over the last few days. This was that the company believed that Nimrod could meet the RAF's requirement in the timescale, that the MOD assessment had been unprofessional and superficial and that GEC's concerns on this score could not properly be taken into account unless they were granted access to the information on which the assessment had been based. His bottom line was that the decision should be delayed to permit MOD and GEC experts to discuss the manner in which the evaluation had been conducted and that an independent assessor should be appointed. Without this, given the damning technical appraisal produced by the MOD, Ministers would have no alternative but to decide in favour of Boeing.

In reply, the Secretary of State undertook to represent the company's concerns to his colleagues but pointed out that the technical assessment was only one of the factors that would have to be taken into account (and the formal risk assessment was but one part of that technical assessment). Although he himself had acknowledged that both systems worked he had to be satisfied that they could achieve the required level of performance in an acceptable timescale. At the end of the day the customer would have to make a judgement between the two systems on the basis of the best available information. No independent authority could or should make that decision.

I C F Andrews

(I C F ANDREWS)
 Private Secretary

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MO 26/7/3V

RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE AND THE
CHAIRMAN OF GEC AT 1730 ON MONDAY 15TH DECEMBER 1986

Present:

The Rt Hon George Younger MP
Secretary of State for Defence

The Rt Hon James Prior MP
Chairman of GEC

Sir Clive Whitmore
PUS

Mr Derek Roberts
Technical Director of GEC
Avionics

I C F Andrews
APS/Secretary of State

The meeting took place in the Secretary of State's room at the Palace of Westminster.

2. Mr Prior said that he could not understand how the MOD's technical assessment could have found so conclusively against Nimrod as leaked reports suggested. GEC had accomplished all that had been expected of them since March and such was their conviction that they were on schedule to meet the specification that they were prepared to risk some £170M of their own money if they failed to achieve it. This confidence was shared by Lockheed who had already invested some \$5M in the project. If they could be persuaded that Nimrod was indeed technically flawed and could not achieve the required performance they would accept that they had lost the competition. But this was not the view of their experts who were leaders in their field and had been surprised at the way in which the MOD assessment had been conducted; it had been superficial and unprofessional. Although ostensibly there had not been a "fly-off" between Nimrod and the E3A, the flight assessment team had given the impression that they were comparing one with the other and there had been no opportunity for GEC engineers to discuss the method of assessment with the MOD team. If the prospects for the project were as bad as was now suggested, why had GEC been allowed to enter the final stage of the competition? Nothing had changed since September.

3. Mr Roberts agreed. A year or more ago, GEC would have understood MOD's assessment of the project; the system did not work and they had seriously considered cancelling it themselves. But they had made progress since March and until the last few days the feedback they had had from the MOD had been



encouraging. None of the five progress review reports had elicited any adverse comments. He too had reservations about the superficiality of the risk and flight assessment exercises. Both had been dominated by the RAF and only two of the eight members of the risk assessment team had been scientists; one of these, the radar expert, had spent only three days "interacting" with the Company's engineers. He questioned the technical competence of those involved in the flight trials and claimed that the information derived from them had not been shared as had been agreed. It had taken a month to obtain data on the two flights on which the MOD assessment had been based.

4. GEC had thought that the purpose of these trials had been to establish the extent of the improvement in performance but they had been conducted not to derive engineering information but to provide a direct operational comparison with the E3A. It was a fact that the E3A had a larger and more powerful antenna and that it would always be able to out-perform Nimrod but the MOD's method of analysis favoured the more powerful system. In the Company's view the Nimrod MSA was capable of achieving the range specified in ASR 400 and they had just learned that on Friday, with the new analogue to digital converter in place, it had achieved 200 nautical mile detection range against a head-on Canberra. He went on to explain to the Secretary of State, using the most recent progress review report, how GEC's methodology for analysing tracks differed from that of the MOD. By focusing on the 15% of tracks that had been missed, the Company had been able to propose modifications that would ensure that they were detected. This enabled them to draw very different conclusions from the MOD's simple track count; they could not understand why the MOD had not conducted a similar analysis.

5. Mr Prior did not see how, faced with what appeared to be a damning technical appraisal, Ministers could do anything but decide in favour of AWACS. But not everyone shared the EPC's assessment. He hoped to obtain more time to permit further discussions to take place between MOD and GEC experts over the manner in which the assessment had been conducted and he urged the Secretary of State to accept a delay of some three to four weeks to permit an independent assessment to be undertaken. If that found against Nimrod, GEC would accept their experts were wrong.

6. The Secretary of State made it clear that he was determined to avoid direct comparisons between Nimrod and the E3A. Both would be judged against ASR 400. He himself had made clear that both systems worked but he had to be satisfied that they could achieve the required level of performance within an acceptable timescale. He could not alter the technical assessment that had been made but he would ensure that colleagues were made aware of GEC's reservations and of the differences of view between the Company and the MOD. But the decision they had to make would



not be taken on the technical assessment alone. Among the factors that Ministers would have to take into account were price, the money already spent on the 11 airframes and the fact that one of the systems was British; many of these arguments favoured Nimrod. The impact of any decision on the Company would also be at the forefront of their minds. But at the end of the day the customer would have to decide between the two systems on the basis of the best information available; he could not abdicate that responsibility. There was no role for an independent assessor.

7. Mr Roberts acknowledged that it was for the customer to choose but he needed to have the confidence to make that decision. He could not accept that a decision that would be potentially extremely damaging to GEC's international reputation could be taken on the basis of one relatively junior and inexperienced scientist's assessment based on just three days spent with the Company. PUS confirmed that Ministers had already been made aware of GEC's views and of the relative merits of the methodologies adopted by the Company and the MOD but he pointed out that the assessment had not been the work of just one man. A very large number of experts of many disciplines, by no means all of whom were from the RAF and including scientists from outside the Procurement Executive, had been involved. The MOD could not prove that it was right; but then neither could GEC. It was a matter for judgement but the MOD could not conceal the evidence on which that judgement was based and it would have to be justified after the event when both competitors would be fully debriefed.

8. Mr Prior concluded by repeating that if the Company could be convinced they had been ruled out of the competition for valid reasons they would accept that. But Ministers were not well equipped to weigh the relative merits of the technical arguments and he did not see how GEC's views could be taken into account if they were denied access to the MOD assessment data. He made a final appeal to the Secretary of State to delay a decision until the New Year to permit MOD and GEC experts to meet to resolve the Company's concerns and to permit account to be taken of further trials. In the meantime, GEC had invited two eminent experts in the field - an American whom he did not name and a British academic, Dr Den Davies of UCL - to conduct an assessment of the progress they had made to date, the results achieved and their proposals for meeting the specification.

9. The Secretary of State thanked Mr Prior and Mr Roberts for explaining their concerns and urged them to let him have an account of the results of the most recent flight so that he could make his colleagues aware of it. He had found the meeting very useful and assured them that he would ensure that their concerns were represented to and fully understood by his



colleagues. He would not disguise the fact that the Company took issue with some of the technical opinions expressed by the MOD.

10. The meeting ended at 1900.

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