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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 December 1986

Dear Ian,

AEW

The Prime Minister saw Lord Weinstock this evening at his request. The Defence Secretary was also present.

Lord Weinstock spoke at some length about his strategy for GEC, his resentment at the way the proposed merger with Plessey had been blocked and his fears about the consequences for GEC's reputation and standing in the City of a reverse over Nimrod.

He also had two specific complaints, which the Prime Minister assured him would, if justified, be put right promptly. There were:

- (i) that permission had been denied to GEC by MOD to send up a TV or photographic team in Nimrod, while such facilities were readily available for AWACs;
- (ii) that GEC were heavily over-charged for the use of Nimrod for demonstration purposes. This appeared to relate in particular to a demonstration flight planned for tomorrow for the French government.

The Defence Secretary undertook that both points would be investigated promptly.

Lord Weinstock put forward a number of arguments for postponement of a decision on AEW while GEC were given access to the MOD's technical assessment. The Prime Minister and the Defence Secretary promised that his points would be made available to OD and Cabinet colleagues. I am therefore setting them out in the attached note which could if appropriate be circulated to OD and Cabinet. But it is possible that Lord Weinstock will himself provide a paper.

Lord Weinstock mentioned that an article in his name would appear in tomorrow's Times. It was not intended to be confrontational.

JRB

Since dictating the above we have received the enclosed letter and papers from Lord Weinstock. They are generally in line with the points he made, although not exactly the same. It may be that both sets of papers should be circulated at OD. The Prime Minister would, I think, welcome your Secretary of State's advice on this.

I am not at this stage circulating my letter more widely.

Yours sincerely
C D Powell

C D POWELL

Ian Andrews, Esq.,
Ministry of Defence

SECRET UK EYES A
COMMERCIAL IN CONFIDENCE

AEW: NOTE OF POINTS MADE TO THE PRIME MINISTER AND DEFENCE
SECRETARY AT A MEETING ON 16 DECEMBER AT 10 DOWNING STREET

When Lord Weinstock met the Prime Minister and the Defence Secretary on 16 December, he made a number of points about the choice between Nimrod and AWACs. The Prime Minister and the Defence Secretary promised that these would be brought to the attention of colleagues before a decision was reached.

Lord Weinstock argued that he assumed that the Government would wish to choose Nimrod if at all possible, because it would patently be in the wider national interest to buy British unless there was an overwhelmingly strong reason not to do so. This reason could only be that the technical assessment of Nimrod was devastatingly bad.

GEC had not been given access to the assessment. But he could not accept that it could be so bad as to rule out Nimrod, for a number of reasons:

- he suspected that the assessment reflected the bias against Nimrod within the RAF and the MOD;
- the MOD no longer had staff who were sufficiently qualified technically to make an adequate assessment. The technology had gone beyond them;
- the assessment had not been conducted in a properly professional way. The reason was that the MOD thought that they knew all about Nimrod, because they had been involved with it for years. They had failed to take account of the enormous strides which had been made since GEC took over the management of the project in March 1986;
- GEC's own assessment was so very different, to the point that he was prepared to stake £250 million of GEC's own money on being able to produce a system meeting the RAF's requirements within three years.

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He would never take this risk unless he was absolutely confident that GEC could deliver on time;

- Lockheed, who were experts in this field, accepted that GEC could complete the job and were offering GEC avionics in their own aircraft, with considerable export prospects. The French government also appeared to be seriously interested in purchasing Nimrod.

For the difference in assessments to be so large, something must be wrong. Either GEC's assessment was flawed, in which case he would want to be relieved of the contract as rapidly as possible. Or the MOD assessment was at fault. It was only fair to the British firm that this discrepancy should be cleared up before a decision was taken.

He therefore had two requests:

- that GEC should be given access to the MOD's technical assessment or at least independent assessors should see it;
- and that a decision on the choice of AEW should be postponed for two or three weeks while the matter was cleared up.

At the least this would help GEC presentationally and lessen the damage to their reputation of a decision in favour of AWACs.

He did not pretend that GEC's record over Nimrod was satisfactory. But the MOD had failed to take reasonable account of the substantial improvements in their performance since March 1986. This had been carefully monitored and reported regularly to MOD. There had been no indication from MOD that the outcome was as unsatisfactory as the technical assessment seemed to imply.

It would have been more straightforward to have agreed cancellation of the contract, with compensation, at an earlier stage. He had himself proposed this in January 1986.

There was a risk that the Government would spend a great deal of extra money quite unnecessarily on AWACs.

The blow to GEC's reputation and standing internationally from a decision to reject Nimrod would be very severe. This further strengthened the case in equity for ensuring that the technical assessment really was fair and accurate.

He hoped therefore that the Prime Minister and the Defence Secretary would bring to the attention of their colleagues the fact that substantial doubts existed about the validity of the technical assessment which would be the basis for their decision.

C D POWELL

16 December 1986

SLHADP