PREM 19/2898

Confidential Filing

Radar Equipment for the CAA.
NATO Air Defence Radar Procurement.

AEROSPACE

November 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~10.12.79~~		~~22.7.80~~					
~~12.12.79~~		16.7.80					
~~17.12.79~~		~~6.2.81~~					
~~19.12.79~~		~~16.3.81~~					
~~20.12.79~~		~~23.3.81~~					
~~2.1.80~~		~~8.4.81~~					
~~8.1.80~~		~~7.4.82~~					
~~9.1.80~~		~~15.11.82~~					
~~10.1.80~~		~~23.12.82~~					
~~16.1.80~~		~~29.2.84~~					
~~17.1.80~~		~~18.5.84~~					
~~23.1.80~~		~~5.7.90~~					
~~25.1.80~~		20.7.90					
~~29.1.80~~							
~~1.2.80~~							
~~4.2.80~~							
~~5.2.80~~							

PREM 19/2898

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(EA)(80)3	8 January 1980
E(EA)(80)2	7 January 1980
E(EA)(80) 1st meeting, item 2	9 January 1980

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed _____ Date 13 AUG 2016

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons
First Special Report from the Industry & Trade Committee
Session 1980-81
Civil Aviation Authority Radar Replacement Programme
Observations by the Government on the Second Report of the Committee in Session 1979-80
Published by HMSO ISBN 010 203381 1

House of Commons
Second Report from the Industry & Trade Committee
Session 1979-80
Civil Aviation Authority Radar Replacement Programme
Together with the Proceedings of the Committee, the Minutes of Evidence & Appendices
Published by HMSO ISBN 010 027009 3

Signed _____ Date 13 AUG 2016

PREM Records Team

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 071 6328 (Direct Dialling)
071 01-218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE PROCUREMENT

USofS(DP) 26/4

20 July 1990

Dear Simon,

Mr Neubert wrote to Mr McLoughlin and other Ministers on 5 July to seek views on our proposals for our Procurement Executive Airfields, and he is grateful for the responses he has had. He has asked me to let you know that Ministers here have decided to defer the beginning of the wider consultation exercise until after the summer break. Officials here will be in touch about the details in due course.

Copies go to the offices of the Ministers who received copies of Mr Neubert's earlier letter.

Yours sincerely,

Rupert Holderness

C R C HOLDERNESS
(Private Secretary)

Simon Buck Esq
Private Secretary to:
Patrick McLoughlin Esq MP
Minister for Aviation & Shipping
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

AEROSPACE and Defense Radar Procurement, Nov '79



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106a-b SCPE a

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 071-21 82216 (Direct Dialling)
071-21 89000 (Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

COM 23/7

D/MIN(AF)/AH/9/3

20th July 1990

Dear John

Thank you for your reply of ~~13~~ July to my letter of 5 July about our proposal to close RAF Bishops Court. I was pleased to see that you had no objection in principle to the plan. WILL REQUEST IF REQUIRED Ack

I quite understand your asking us to delay the announcement of the closure. But there are good reasons to move quickly. The longer we wait, the greater the risk of an attack on the station and the more difficult it becomes to ensure that news does not seep out, especially as more people become involved. Not only am I concerned to reduce the danger to those on the station, but another attack now would make our eventual task in presenting the closure more difficult; indeed we might have to delay further to avoid a PIRA claim of a victory.

I am afraid that we cannot await the outcome of the Army Review of the site. This is part of a wider examination of accommodation and deployments within the Province and final decisions are not expected until around the end of the year. Nevertheless I can say that from the Army's point of view there are a number of drawbacks to the use of the station, in particular its location. I suggest that in your dealings with the education planners and others you should work on the basis that it is unlikely that there will be any further Ministry use for the site following the RAF withdrawal; we cannot however announce that publicly.

It would be helpful to make this announcement before the Recess, and I propose that we go ahead on 24 July. I understand that this does give your officials sufficient time to brief senior colleagues in the Northern Ireland Departments and others as necessary. Clearly any detailed working level planning or discussion of the implications of the move can only sensibly take place once it has been announced.

My officials are discussing with yours how the announcement should be made. Our current plans are that a

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senior RAF officer would make the announcement to military and civilian personnel on the station and that in parallel I should write to Eddie McGrady. Press releases would be issued in London and Lisburn, emphasising that the step is being taken as an economy measure, made possible by the introduction of more capable radar systems, and in the context of continuing efforts to rationalise defence estate holdings. A copy of the Press Release and supporting material has been passed to your officials in Belfast. Immediately the decision has been made public, officials from my Department and RAF officers will be contacting the local authority, schools and other local bodies to explain to them what we propose to do, and why.

I am sending a copy of this to the Prime Minister, David Hunt and Sir Robin Butler.

Yours ever

Archie

ARCHIE HAMILTON

Rt Hon John Cope, MP

AGLOSPACE: Radar Procurement
Nov 79



SECRET

9(a&b) & CPA.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 071 21 82116 (Direct Dialling)
071 21 89000 (Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/AH/9/3

5th July 1990

Dear John

RAF Bishops Court, in County Down, is a NATO declared air defence radar station. Its role is surveillance of the important area to the west of Scotland and Ireland. The station is used as an occasional mounting base for security force operations in Northern Ireland, but its main security task has become one of simply protecting itself. The view of senior Army and RAF officers in Northern Ireland is that the station is actually a burden on the security forces in the Province, rather than an asset. After a PIRA mortar attack in September last year security was improved by the erection of sangars, and extra security personnel were drafted in. Although operation of the air defence equipment at Bishops Court requires only some twenty RAF personnel, the administrative and security support they now require brings the total Service strength up to around 300.

In view of the security problems of operating in Northern Ireland and the financial penalties that they bring, we have looked carefully at whether the radar facility needs to be in the Province at all. I do not believe that we should expect our people or their families to accept the risk, inconvenience and discomfort of a tour in Northern Ireland unless it is operationally essential that they be there, particularly as there is a very real possibility of further PIRA attacks on the unit. Two other factors make this a particularly appropriate time for a review. Firstly we are replacing the fixed radar at Bishops Court with a newer and more capable mobile system, and secondly there are plans to make a start this year on an £11M programme to improve the domestic accommodation.

We have concluded that with the new mobile radar system in service there will be no strong operational case for retaining the Bishops Court site. We plan therefore to move the radar unit to an Army range at Ty Croes, in Angelsey. Such a move will bring substantial financial and manpower savings as well as security and operational advantages. In addition to

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saving the £11M programmed for enhancements at the station, there would be continuing running cost savings from moving to a site on the mainland; the redeployment to other duties of most of the RAF personnel now at Bishops Court would be particularly welcome as we have shortages in many of the trades represented there.

Subject to work now underway our aim is to remove the radar and all associated air defence personnel from Bishops Court during the course of this summer with the remainder leaving in the phased withdrawal. A number of other issues will remain to be finally resolved, particularly whether we wish to retain any or all of the station and airfield for other purposes when the radar is withdrawn. The Army authorities are also considering whether they have any use for all or part of the site, as part of their examination of accommodation and barracks strategy Province-wide. The position will not become clear until later in the year; in the meantime the RAF will continue to maintain a small presence to protect the site.

I hope you can agree that what is proposed should not cause any particularly difficult political problems. If so, I will ask my officials to develop their plans, discussing the presentational aspects with your Department. The move makes a good deal of financial and administrative sense, and in presenting it publicly we will emphasise these aspects, leaving security issues in low profile. As with the Aldergrove Infantry Battalion decision we envisage a local announcement, in this case through the media in South Down; I will of course also write to Eddie McGrady to inform him of the decision. I will notify you and colleagues of our firm proposals for announcing and implementing the change in due course.

I am copying this letter to the Prime Minister, David Hunt and Sir Robin Butler.

Yours ever

Archie

ARCHIE HAMILTON

Rt Hon John Cope, MP
Minister of State for Northern Ireland

Telephone
01-212 3751

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET
SW1P 3EB

SECRETARY OF STATE FOR TRANSPORT

With the Compliments of the
Secretary of State for Transport

Reference

S

cc PS/Mrs Chalker
PS/Mr MItchell
PS/Mr Lazarus
Mr Knighton
Mr Palmer
Mr Noulton
Mr Twyman
Mr Staveley
Mrs Ramsay

PS/SECRETARY OF STATE

The Secretary of State for Trade and Industry has written about action Racal have taken to enable them to offer and market the category III(blind landing) Instrument Landing System produced by the German firm SEL. He asserts that Racal have offered to lend one free to the CAA so that they can evaluate it as a fall-back alternative to the French equipment, and hopes that CAA will pick up this offer.

2. I have spoken to them about it, and I am afraid that the "offer" is not quite as portrayed by Mr Tebbit. Racal have asked the CAA to evaluate the equipment and give it a "seal of approval" which will help them to sell the equipment to airports who might be interested in it. No doubt they hope that in the process the CAA will get to know the capabilities of the system, and might be disposed to order it if their reliability trial of the French equipment they have ordered does not come up to expectations. But they could not with a single system evaluate the SEL equipment in the same way as they are testing five sets of the French ILS.

3. The problem for the CAA is that Racal may make the system available to them free, but they would incur quite considerable expense in assessing it, and since they do not have any present intention of installing it at airports where they provide air traffic control, they would not see any tangible return for that expenditure. They are therefore urging Racal to persuade a non-NATS airport to install the equipment, when the Authority, in its regulatory role would be obliged to carry out tests to approve the use of the installation, but would be able to recover its costs through the charges it makes for that service.

4. In speaking to the Director General of Telecommunications I urged him to respond as helpfully as he could to Racal, and to mend fences with the firm, who seemed to have dropped their idea of pursuing their complaint about the pricing of the French equipment. He assured me that the Authority had no intention of holding that against Racal, and would try to help them with the SEL system, provided it did not involve the Authority in nugatory expenditure.

5. I enclose a short reply to Mr Tebbit gently correcting the record, which I have also done with DTI officials.

H J Blanks

H J BLANKS
CAP
S8/15
212-4989
18 May 1984 ENC

CODE 18-77

File No.

DRAFT

Addressed to:

The Rt Hon Norman Tebbit MP
Secretary of State for Trade &
Industry
1-19 Victoria Street
London SW1H OET

Copies to:

Enclosures:

Originated by:
(Initials and date)

Seen by:
(Initials and date)

Type for signature of

SECRETARY OF STA

(Initials and date)

DEPARTMENT OF

RACAL INSTRUMENT LANDING SYSTEM

Thank you for your letter of 10 May informing me that Racal had negotiated an agreement with the German company SEL which would enable Racal to market SEL's Category III instrument landing system.

You mentioned that Racal had offered to provide the CAA with a set of the SEL equipment to test. We understand from the Authority that Racal's principal objective is to get a CAA "seal of approval" for the equipment which will help them to sell it to others. No doubt they also hope that if the CAA gain some practical experience of the SEL system they might look favourably on it if their reliability trials of the Thomson-CSF system proved unsatisfactory. Racal may well be right, but you will appreciate that CAA could not on one set of equipment carry out a trial of the kind for which they are buying five sets from Thomson.

(CONTINUE TYPING HERE)

File No.

The CAA would like to help Racal, but even if Racal provided the equipment without charge, the Authority would incur quite substantial expenditure for its own staff and flight testing. It could only recover these costs if the work were done as part of its regulatory duties for licensing airports and their navigation equipment. So CAA are urging Racal to persuade a non-NATS airport to install the equipment for operational use. That may be a problem, because most of the airports where NATS do not provide air traffic control and equipment have very few aircraft equipped with automatic landing systems. So they might not feel that investment in a Category III system was justified.

However we have urged the CAA to help Racal if they can, and mend fences with them, and they have assured us that they will do so provided it does not involve them in nugatory expenditure.

4932

115

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H OET

22 May 1984

Mr Blanks
cc PS/SofS
PS/Mrs Chalker
PS/Mr Mitchell
PS/Mr Lazarus
Mr Knighton
Mr Palmer
Mr Moulton
Mr Twyman
Mr Staveley
Mrs Ramsey
PSO/File

Dear Norman

RACAL INSTRUMENT LANDING SYSTEM

Thank you for your letter of 10 May informing me that Racal had negotiated an agreement with the German company SEL which would enable Racal to market SEL's Category III instrument landing system.

You mentioned that Racal had offered to provide the CAA with a set of the SEL equipment to test. We understand from the Authority that Racal's principal objective is to get a CAA "seal of approval" for the equipment which will help them to sell it to others. No doubt they also hope that if the CAA gain some practical experience of the SEL system they might look favourably on it if their reliability trials of the Thomson-CSF system proved unsatisfactory. Racal may well be right, but you will appreciate that CAA could not on one set of equipment carry out a trial of the kind for which they are buying five sets from Thomson.

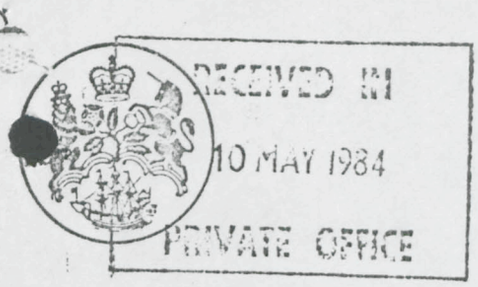
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flight testing. It could not recover these costs if the work was done as part of its regulatory duties for licensing airports and their navigation equipment. So CAA are urging Racal to persuade a non-NATS airport to install the equipment for operational use. That may be a problem, because most of the airports where NATS do not provide air traffic control and equipment have very few aircraft equipped with automatic landing systems. So they might not feel that investment in a Category III system was justified.

However we have urged the CAA to help Racal if they can, and mend fences with them, and they have assured us that they will do so provided it does not involve them in nugatory expenditure.

NICHOLAS RIDLEY

Secretary of State - to see
Mr Guyman. - Or adv. pt.
cc PS/Mr Chalker



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215) .....
(Switchboard) 215 7877.

cc PS/Mr Mitchell
PS/Mr Hazams
Mr Knighton
Mr Kolmer
Mr Palmer
Mr Blanks
Mr Neilson
Mr Staveley
Mrs Ramsay
PSO

10 May 1984

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

Dear Nicholas,

Thank you for your letter of 25 April about the CAA order for Instrument Landing Systems. I am glad to see that you will be looking carefully at the processing of the follow-on orders.

2 You may like to know that Racal have in the meantime reached an agreement with SEL which could lead to UK manufacture and world market sharing of the SEL system which was not acceptable to the CAA because it contained untried elements. I understand that Racal have offered CAA free loan of an SEL system so that they may evaluate it within the same timescale as the French equipment.

3 This seems to me a heartening response to Racal's disappointment over the French order and will I assume be welcome to the CAA as a possible alternative position should the French evaluation equipments not come up to expectations. Perhaps you would let me know if the CAA see any difficulty in accepting Racal's offer.

Yours,
Norman

NORMAN TEBBIT

JH1AAY

Sir Ernest HARRISON of RACAL

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Tim says this has been replied to via Questions KD 12/3.

10 DOWNING STREET

From the Principal Private Secretary

29 February 1984

Sir Ernest Harrison, Chairman of RACAL, telephoned me today and asked for the Prime Minister's help over a contract for Blind Landing Gear which the Civil Aviation Authority were planning to award to a French Company, which had been in competition with RACAL and a German company for the contract. Sir Ernest said that the award of this contract to a French company would be disastrous for RACAL.

I said that I would take delivery of Sir Ernest's message. When Sir Ernest pressed me to say that this office would press the CAA to re-consider, I said that I could not do that without looking into the matter. Sir Ernest then said that he understood that there was a procedure whereby the Prime Minister was always informed before a contract was given to a foreign company: I said that this was not correct.

This matter may well be raised with the Prime Minister either in Parliament or outside it, and I should be grateful if you could let me have a note on it and on whether the Government has any locus or reason for intervening.

BY

I am copying this letter to Callum McCarthy (Department of Trade and Industry).

E.E.R. BUTLER

Miss D.A. Nichols,
Department of Transport.

Aerospace

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-9XXXXX 218 6169

D/S of S/PS/10(E8/10) 23rd December 1982

Dear Willie. WW 24/12

I wrote to you on 12th November with a background note, and a draft for the Prime Minister to write to Stephen Ross MP about the NATO competition for new air defence radars.

You will recall that there is quite a history to the competition, which involves three NATO-funded and three nationally-funded radars. The Prime Minister had agreed in 1980 that financial support should be provided for Plessey's bid, and, if they won the NATO competition, they would also be awarded the order for the nationally funded radars. We then had the further problems of re-bidding and my letter closed by advising you that an Arbitration Board was sitting to discover whether the bid made by the American Company, Hughes, was technically compliant.

The Prime Minister may wish to know that, although the Arbitration Board found Hughes' bid to be compliant, the Plessey bid subsequently proved much more competitive. Subject to the satisfactory outcome of the remaining stages of contract negotiations, therefore, Plessey will be awarded the contract for three NATO-funded radars, and the order for three nationally-funded radars. Plessey were informed of the outcome late yesterday, and they and the Ministry of Defence will be making an announcement today.

There is no need for the Prime Minister to write again to Mr Ross who had also written to Ministers here, and Mr Geoffrey Pattie is advising him of Plessey's success.

Yours ever,

(D T PIPER)

W F S Rickett Esq

cc IG
MOD.

10 DOWNING STREET

THE PRIME MINISTER

17 November 1982

Dear Mr. Ross,

Thank you for your letter of 21 October about impending redundancies at Plessey Radar Ltd.

I fully appreciate the difficulties faced by the company through the unfortunate delay in determining the NATO international competition for three new air defence radars. However, I do not entirely accept the analysis in the fourth paragraph of your letter. Since NATO will be paying the lions share of the cost of these radars we have to comply with their procedures in order to obtain the funds. In the event these proved lengthy; to protect UK interests the competition had to be re-bid, and we then had to challenge the compliancy of the French and American offers with the specification. These challenges were potentially to Plessey's advantage, and it is not surprising that the French and Americans contested our assessment, with resultant delay. The French aspect has been resolved in discussion and the American proposal has now been referred to binding arbitration governed by finite time limits under NATO rules. The outcome should be known in a matter of weeks from now.

It seems strange therefore that Plessey should contemplate making a comparatively small number of key staff redundant at this stage when, if things go well, they may shortly receive orders not only for the three NATO-funded radars but also for a further three

/ funded from

funded from our defence budget, with the possibility of other export orders in the future. It would be more sensible of them to stay their hand until the outcome of the NATO competition is known. The Government on its side will use its influence to ensure that NATO's decision is not further delayed.

Yours sincerely,

Margaret Thatcher

Stephen Ross, Esq., M.P.

File

BPP

PRIME MINISTER

This letter from Stephen Ross claims that Plesseys are about to issue redundancy notices to 35 skilled workers because of delays in placing the contract for the ASR 15 86 radar. There are two parts to this contract, one involving three NATO-funded radars to be awarded following a NATO competition, and one involving three national-funded radars for the RAF. Stephen Ross pleads that the RAF contract should be awarded to Plessey straight away, or that the Government should provide some form of bridging support.

The draft provided by the MOD below explains the reasons for the delay in the NATO competition. It says that the outcome should be known in a matter of weeks. It urges Plessey to stay their hand until the outcome is known.

The background note at A explains why the MOD would not like to bring forward the RAF contract. It also recommends against bridging support. But the Ministry are working on the possibilities for bridging support in case you favour that course.

Are you willing to sign the attached letter?

W. F. S. PICKETT

15 November 1982

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 6169

D/S of S/PS/10

12th November 1982

(15)11

Pl type and include this in the slip as a background note (flagged).

Dear Rosie,

LETTER TO PRIME MINISTER FROM MR STEPHEN ROSS MP

Your letter of 28th October to David Saunders asked the Department of Industry to provide a draft reply to Mr Stephen Ross's letter of 21st October to the Prime Minister seeking her assistance in the immediate placing of an order for new air defence radars with Plessey Radar Ltd, or alternatively authority to incur initial launching costs. It has since been agreed that Ministry of Defence should take the lead in providing the draft, co-ordinating as necessary with Department of Industry.

There is an extensive history to this procurement, which involves 3 NATO-funded radars (the contract for which is to be awarded following NATO competition) and 3 nationally-funded radars. In 1980 the Prime Minister agreed that Ministry of Defence and Department of Industry should jointly provide financial support for Plessey's bid for the orders; Mike Pattison's letter to David Omand dated 20th June 1980 refers. This support was to be given if Plessey won the NATO competition, in which event they would also be given the order for the nationally-funded radars. The £8.8M Government support (later increased) was thus related to a total order for 6 radars. As you will know from subsequent correspondence, in particular Richard Riley's letter of 20th March 1981 to Mike Pattison and Lord Trenchard's note to the Prime Minister of 7th April 1981, we found it necessary to re-bid the competition for the 3 NATO-funded radars with the expectation that it would be resolved by March 1982. Confident that the bid they made in August 1981 would win the re-bid competition, Plessey began to assemble teams to manufacture the radars. Unfortunately the re-bid has not gone smoothly.

In his letter to the Prime Minister, Mr Ross claims that Plessey "have been kept on tenderhooks for some 3 years already, firstly because of objections by the French which have since been overcome and more recently by the various actions of the Hughes Corporation of the USA". It is certainly true that the company has had to wait an exceptionally long time to know whether or not

W F S Rickett Esq

it has won the order, although not quite for the reasons Mr Ross suggests. Delay began when we decided that the competition for the three NATO-funded radars must be re-bid in April 1981 (had we not so decided, Plessey would have lost the competition at that point). Unfortunately, in assessing the new bids earlier this year we were forced to conclude that both the French and American offers could be non-compliant. The French problem was resolved in discussion but the Americans, not surprisingly, disputed our conclusion. In accordance with NATO rules we have now succeeded in putting the matter to binding arbitration. Hughes were, of course, fully entitled to dispute our conclusion, and they cannot, therefore, be blamed for the delay on this account. However, the NATO rules require the arbitrators to meet within 2 weeks of their appointment being notified to the Payments and Progress Committee, and they are required to report their conclusions within four weeks of first meeting. Consequently we believe that there should be a final outcome of the competition by about the end of 1982.

Despite the inconvenience of the delays so far from Plessey's point of view, with the end now in sight the straightforward course would be for them to continue to carry the cost of the comparatively small number of workers who are under threat of redundancy for the few weeks between now and the conclusion of NATO arbitration. From their point of view it would make little sense to get rid of workers who will be needed shortly if Plessey win the competition. It would, however, be to their advantage if, as Mr Ross has suggested, the nationally-funded order were detached from the NATO order and placed before the NATO arbitration is concluded. In this event they would salvage half of the total order even if they lost the NATO competition.

This would however be an expensive course from the Government's point of view. A provisional calculation indicates that, even with a £3M subsidy from the Department of Industry, to buy the nationally-funded radars from Plessey now would cost the Ministry of Defence some £8M more than the American alternative. Moreover, if we placed this order with Plessey now, but they subsequently lost the NATO competition, we would be committed to subsidising an industrial capability in this sector of the market with poor export prospects (since the winner of the competition will have an advantge in world markets) and for which there is no overriding need at home (since Marconi have a similar capability).

We, therefore, recommend against placing the national order now, and we believe Plessey ought, in their own interest and in the UK defence interest, to defer redundancies until the NATO competition is settled without any further support from the Government. This is our preferred course. If, however, the Prime Minister considers that Plessey should be given some help or inducement to defer redundancies, we would prefer a means of support

which avoided any commitment at this stage to place an order with them. Staff work is now in hand to identify a mechanism for such bridging support in case the Prime Minister favours this course.

A draft letter to Mr Ross, reflecting the preferred course described above, is attached. A copy of this letter goes to David Saunders (DOI).

Yours ever

(D T PIPER)

D R A F T

From: The Prime Minister

To: Mr Stephen Ross MP

1. Thank you for your letter of 21 October about impending redundancies at Plessey Radar Ltd.

2. I fully appreciate the difficulties faced by the company through the unfortunate delay in determining the NATO international competition for three new air defence radars. However, I do not entirely accept the analysis in the fourth paragraph of your letter. Since NATO will be paying the lions share of the cost of these radars we have to comply with their procedures in order to obtain the funds. In the event these proved lengthy; to protect UK interests the competition had to be re-bid, and we then had to challenge the compliancy of the French and American offers with the specification. These challenges were potentially to Plessey's advantage, and it is not surprising that the French and Americans contested our assessment, with resultant delay. The French aspect has been resolved in discussion and the American proposal has now been referred to binding arbitration governed by finite time limits under NATO rules. The outcome should be known in a matter of weeks from now.

3. It seems strange therefore that Plessey should contemplate making a comparatively small number of key staff redundant at this stage when, if things go well, they may shortly receive orders

/not only .....

not only for the three NATO-funded radars but also for a further three funded from our defence budget, with the possibility of other export orders in the future. It would be more sensible of them to stay their hand until the outcome of the NATO competition is known. The Government on its side will use its influence to ensure that NATO's decision is not further delayed.

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JU74
Secretary of State for Industry

3 November 1982

Willie Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Willie

Thank you for your letter of 28 October 1982 addressed to David Saunders, about the letter from Mr Stephen Ross MP regarding the plight of Plessey Radar Limited.

The Office of the Secretary of State for Defence have requested that they take the lead in this matter and I am therefore transferring your letter to their office.

The Department will, of course, pass on any comments which we may have to the Ministry of Defence.

Yours sincerely
Ken Benson

K BENSON
Private Secretary

file EM

Stephen Ross MP. 11/11
on its way 15/11

28 October 1982

I enclose a copy of a letter to the Prime Minister from Mr. Stephen Ross, M.P. about the plight of Plessey Radar Limited.

I think the Prime Minister will wish to be as helpful as she possibly can in her reply, and I should be grateful for a suitable draft by 11 November.

I am copying this letter to Derek Piper (Ministry of Defence), given Mr. Ross's remarks about the ASR 15 86 radar system.

WILLIE RICKETT

Dr. David Saunders,
Department of Industry

Transferred to Defence
4/11.

10 DOWNING STREET

WILLIE

COULD AS HELPFUL A REPLY AS POSSIBLE PLEASE BE SENT TO STEPHEN ROSS.

25/10/82.

From: Stephen Ross, MP

HOUSE OF COMMONS
LONDON SW1A 0AA

21st October 1982

Dear Prime Minister

THE ASR 15 86 RADAR

I have delayed appealing to you for help until now, but a situation has been reached when I feel there is no other possible course I can adopt.

You will recall that I asked to see you personally about eighteen months ago when our third largest employer on the Isle of Wight, Elliott Turbomachinery Limited of Cowes, was about to close. I remain grateful for the help given at that time on your instructions by Kenneth Baker and although we failed to save the firm, at the end of the day it was through no fault of the Government. I have always given public credit for that fact.

I am nowfaced with another worrying problem which concerns Plessey Radar Limited, the second largest private employer on the Island. They are on the point of issuing redundancy notices to thirty five of their skilled draughtsmen and engineers with the probability of many more to follow within a matter of weeks. Amongst the 1,200 employees these are some of the most skilled personnel and if lost will be difficult to replace. This situation has arisen because of the continuing delay in reaching a definite decision over a NATO requirement for the ASR 15 86 Radar system.

Plesseys belive their tender is the one most likely to prove acceptable but they have been kept on tenterhooks for some three years already, firstly because of objections by the French which have since been overcome and more recently by the various actions of the Hughes Corporation of the USA. It has now reached the stage that Plessey can no longer meet their continuing overheads out of their own resources, despite assurances that the outstanding problems should be cleared by January 1983.

Can I therefore plead that either the concurrent RAF contract for three of the Radars of the same type be awarded forthwith or a third agreement be approved with the Department of Industry, providing adequate finance to meet the initial launching costs of the whole order?

..../cont

I would like to place on record my appreciation of the assistance already given to me and the Plessey Company by Geoffrey Pattie, who has gone out of his way to be helpful, but I suspect that the urgency of the situation is now beyond his authority to resolve.

You will no doubt be advised that the unemployment situation on the Isle of Wight is the highest in the South of England and likely over the next three months to reach at least 16%, with yet another closure due on 19th December involving a workforce of two hundred and thirty at the Thorn EMI factory.

In the circumstances, therefore, I would greatly appreciate your help and personal interest in this matter.

Yours sincerely,

Ian Ross

The Rt. Hon. Margaret Thatcher, MP,
The Prime Minister,
10 Downing Street,
LONDON, SW1.

Copy of proposed notice from Plessey Kidd

DRAFT

As you will know the AR320 procurements by Ministry of Defence, on behalf of NATO and the UK, have been significantly delayed.

The Company has made strenuous efforts to ensure that the effect of the delays has been minimised, including very large investments in early work on the program. The delay, which now amounts to almost a year since we could reasonably have expected the contract awards for ASR 1585 and ASR 1586, has become so extensive that the Company can no longer support the growing number of staff in the Engineering Unit that have little or no work.

As a consequence, it is necessary to give you due notice that some redundancies are necessary. The areas affected are:-

Drawing Office

Design Engineers

Technical Publications

The numbers involved amount to approximately 35 and discussions will take place with the people affected and their representatives to proceed with this in the best way possible.

T/SAP/1834
Am (IE) 4

PS/ Minister (DP)

25/3/82

I would be grateful if your Minister would reply on the Secretary of State's behalf to the attached letter which he has received from a Member of Parliament.

2. Would you please send me a copy of your Minister's reply in due course.

HARRY KENTISH
Parliamentary Clerk
MB 6164 6312 MB

30. March 82.

MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State for
Defence Procurement

D/MIN/TT/MP/1854

7 April 1982

Dear Eldon

Thank you for your letter of 25th March to John Nott about an expected order for ASR 1585 air defence radars which we term E/F band radars.

These radars, in satisfaction of one part of ASR 1585, qualify for financial support from NATO infrastructure funds provided they are selected by International Competitive Bidding rules. Those rules require that industry in other NATO countries must be given the opportunity to compete and that the contract must be awarded to the lowest compliant bidder. At a time when our defence funds are under so much pressure we cannot lightly forgo the opportunity of NATO support.

Nevertheless, I can assure you that we are fully conscious of the importance of the order to British industry and we hope very much that the Plessey bid will be successful. Within the rules we have done everything we can to assist.

I note that you sent copies of your letter both to the Prime Minister and to Kenneth Baker. I am, accordingly, sending copies of this reply to their offices.

Yours Ever.

Lord Trenchard

Eldon Griffiths Esq., MP

FROM: Eldon Griffiths, M.P.

Min (D P)

PERSONAL AND CONFIDENTIAL

HOUSE OF COMMONS
LONDON SW1A 0AA

Dear John

25th March, 1982.

U.K. Defence Radar

I understand that the contract for ASR 1585 (S band radar for U.K. air defence) is - after a second round of tendering - close to decision in your Department, as agents for NATO. May I express my strong belief that this business should go to U.K. contractors?

I have no direct interest in this, though I am fairly close to Plessey; but I think I should emphasize that, in the context of Trident, it would be extremely hard to support any decisions that handed this important radar business and its future export potential to the Americans.

Yours ever,
Eldon G

The Rt. Hon. John Nott, M.P.
Secretary of State,
Department of Defence,
Main Building,
Whitehall,
LONDON, S.W.1.

c.c. Rt. Hon. Margaret Thatcher, M.P.
Kenneth Baker Esq., M.P.

File

CONFIDENTIAL

DSG

Aerospace

10 DOWNING STREET

From the Private Secretary

8 April 1981

AIR DEFENCE RADARS

The Prime Minister has seen Lord Trenchard's minute of 7 April.

She agrees that there should now be a rebid, on the basis outlined by the Minister of State.

I am sending copies of this letter to Jonathan Hudson (Department of Industry) and David Wright (Cabinet Office).

M. A. PATTISON

S. R. Douglas, Esq.,
Ministry of Defence.

CONFIDENTIAL

8 1.

Prime Minister
Plessey want the contract, & will shave their bid by £3·5m, of which £0·5m would be supported by MoD & DoI. Lord Trenchard & Mr Baker therefore propose to re-bid the contract. Agree?

MINISTER OF STATE FOR DEFENCE

D/MIN/TT/6/6

Prime Minister

Yes MT

AIR DEFENCE RADARS

MAD 7/4

Following on from our meeting on 20th March, Ken Baker and I have talked to Sir John Clark about the NATO Air Defence Radar contract. Sir John is clear that Plessey want this business and are looking for an opportunity to re-open the competition. The Plessey view is that Hughes can be expected to reduce their bid to eliminate any foreseen advantage from exchange rate movements and also to lower their prices by some 20%. Thus, to make their bid worthwhile, Plessey see the need to cut their price by £3.5M in addition to any exchange rate assistance that may occur.

2. By reducing the volume of spares, support items and test equipment in the Plessey bid it is possible to lower costs by some £2M whilst still ensuring that the radars will meet RAF requirements. To close the remaining gap of £1.5M, Plessey have agreed to contribute a further £1M and with a smaller final gap, Ken and I have accepted that the Department of Industry and the Ministry of Defence should each take another £250K.

3. To clarify the rules for the re-bid we all agree that the proposal should be to judge the competition on prices for the basic equipments only; that is not including the spares and support which gave us trouble previously. It is proposed that all the savings would be concentrated on this well-defined part of the bid and Plessey see this as giving them the greatest possible advantage. It also gives NATO the least possible grounds for objecting to our proposed re-bid.

/ 4.

4. Ken and I accept that a reduction of at least £3.5M in a total of about £13.5M for the main equipments, whilst not ensuring certainty, makes a re-bid exercise worthwhile. Subject to your having no objections, I will set matters in hand with NATO

yours
Tom

7th April 1981

SECRET COMMERCIAL IN CONFIDENCE

SUBJECT

cc master

10 DOWNING STREET

From the Private Secretary

23 March 1981

As you know, Lord Trenchard called on the Prime Minister on Friday evening to discuss NATO radar procurement. He was accompanied by Controller Aircraft. Mr. Baker was also present.

Lord Trenchard explained that the tender for UK-based radar to be partially financed from NATO infrastructure funds had produced a complex result. The bid which would need to be accepted under the NATO contracts rules would involve the lowest cost to NATO funds, but would not offer the lowest overall package for the UK which had to meet part of the bill direct. The NATO rules made provision for the country procuring the equipment to ask for the contract to be rebid, although there appeared to be no direct precedent in the present case. There would be some controversy if the UK were to request a rebid. We would wish to clarify the rules to avoid the problems found in the first round of bidding, and it would not be an easy task to persuade our NATO colleagues to accept variations in the rules for a rebid.

After discussion, the Prime Minister said that she was prepared to agree that a rebid could be called. We would need to be clear that the rules could be clarified sufficiently to deal with the problems occurring in the first round. The Department of Industry should make contact with the British company interested in the contract, to establish whether that company was prepared to adjust its tender in the way which was likely to be necessary to make a rebid exercise worthwhile. If that company was not prepared to contemplate representing its bid, there was little to be gained.

The Prime Minister said that the company would have to be pressed to cover at least 50 per cent of any overall reduction in the contract price it might wish to offer in a rebid. There was some possibility of very limited further Government assistance in respect of R&D costs, although it seemed unlikely that this type radar had sufficient defence priority to justify directing further scarce defence resources to this purpose. The present project involved 40 per cent procurement from the US, whilst other projects bidding for defence funds might have a much higher UK content. Department of Industry possibilities could, however, be considered.

/Mr. Baker

SECRET COMMERCIAL IN CONFIDENCE

Mr. Baker agreed to arrange for the Department of Industry to be in contact with the company. If necessary, further contacts could take place later between the company Chairman and Mr. Baker and Lord Trenchard together.

I am sending copies of this letter to Jonathan Hudson (Department of Industry) and David Wright (Cabinet Office). In view of the sensitivity of the matters discussed at this meeting, I should be grateful if you would ensure that this letter is given a very limited circulation.

M. A. PATTISON

S.R. Douglas, Esq.,
Ministry of Defence.

JFF

CONFIDENTIAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

20 March 1981

M Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Mike

PLESSEY : NATO RADAR

I understand that the Prime Minister is to see Lord Trenchard and Mr Baker to discuss the situation which has arisen over the competition to supply NATO with air defence radars. You will recall that, at a meeting which the Prime Minister held with Defence and Industry Ministers last June, it was agreed that the MoD and DoI should each offer £4.4M to meet Plessey's radar R & D expenditure, provided that the company obtained the NATO contract.

2. This Department has been kept fully informed by MoD of the developments in this case, including the discussions within NATO and we accept the Ministry of Defence arguments in favour of re-bidding the competition. We would wish to confirm that in the event of re-bidding this Department's contribution of £4.4M remains available, subject to the continued proviso that the company are ultimately successful in the competition. No doubt Lord Trenchard will wish to confirm the continued availability of their contribution on the same basis.

3. A realistic assessment must be that re-bidding the competition will not have improved Plessey's chances in the new competition. This, together with the successful bid of the General Electric of the US to supply NATO with D band radars in Buchan and Benbecula last year and the CAA decision not to procure long range surveillance radars from a Plessey - Marconi consortium, puts the prospects for this sector of the UK electronics industry at serious risk. It is important therefore that either Plessey in the re-bid or Marconi in the forthcoming NATO D band radar competition, are successful. Otherwise we shall find ourselves forced out of a growing market in which the UK has an export share currently worth £100M a year.

/4. ...

CONFIDENTIAL

4. But it will be difficult, to find additional funds to support Plessey's next bid. Furthermore, any lowering of Plessey's bid by further DoI/MoD support, while it might possibly lead to success in the rebid competition, would introduce the risk that the company could not sustain further bids for business without continued Government support.

5. The prospect of Hughes winning the rebid must be faced. We are also concerned that, despite their poor performance in the current round, Thomson-CSF will take advantage of the rebid in an attempt to win the contract. The delay in deciding the competition will have worked to their advantage in giving them time to complete the development of their radar. They know accurately the price target which must be beaten; a pre-emptive bid by them should not be discounted.

6. However, we are advised that a political approach to the United States would have little chance of success. In these circumstances we see no alternative but to agree that the competition be rebid. I am copying this letter to Colin Balmer.

Yours ever

Richard

RICHARD RILEY
Private Secretary

PRIME MINISTER

Lord Trenchard and Controller Aircraft will come in at 1830 hours for a brief discussion of the future of the Plessey bid for NATO radar. Mr. Baker will also be present.

When you took an interest in this contract last summer, it was understood that Plessey would not drop their bid below the figure dictated by their commercial judgement. There was therefore no guarantee that they would win the contract. More recently, a correspondent has suggested that the pound to NATO unit conversion has deprived them of the contract (Flag B).

We do not have the bid details. Controller Aircraft will be able to tell you of them, but MOD claim that the contract rules make it impossible to set them down on paper for us.

Lord Trenchard's report (Flag A) shows that there is a possibility of reopening the issue by arranging for the contract to be rebid. This will cause some sort of row, but his note does not give much detail of this. Rebidding would not guarantee success, but Lord Trenchard has not to date given you much of an assessment.

At the meeting, you will want to assess the extent of the row that might be caused by rebidding - the front runner is Hughes of America. You will also want to assess the chances of success. The currency conversion is done on the basis of the rate the day before the bid envelopes are opened. In this case, was sterling at its peak on the date in question? How much influence could we have over the date for the opening of rebids? What prospects are there for sterling in the relevant time scale, now that the pound is moving back towards $2.30? What is the likelihood of the French submitting a more effective bid if they are given a second chance?

19 March 1981

MINISTER OF STATE FOR DEFENCE

D/MIN/TT/6/6

Prime Minister

RADAR

Since my interim report to you of 5th February I have to tell you that we have failed to get support from the NATO Payments and Progress Committee.

2. You will recall that while the Plessey bid was the cheapest, both for the radars alone and for the total of the spares, it was slightly more expensive on the combination of radars and that section of spares (the first three months) which attract NATO infrastructure funding. The rules of the competition are that the award should be made on the infrastructure funded items only (ie radars and first three months spares).

3. We have attracted sympathy in discussion but no support for any award other than in accordance with the declared rules of the competition. Sir Clive Rose offers me no reasonable prospect through further negotiation in the NATO forum, neither do we judge that we would get anywhere by direct approach to the United States, even at high level, and we would exhaust tolerance for pressure on the United States in more important areas, probably to no avail. A formal dispute with the United States, which would certainly flow from our trying to award the contract to Plessey, could cost us the benefits of infrastructure funding worth between £11½m and £15½m. We have other requests for infrastructure funding worth about £100m.

4. The least disagreeable option open to us, which we have the right to do, would be to re-bid the competition.

/ Within ...

Within certain limits we could clarify new and more equitable rules before doing so. We may face severe criticism even for taking this action, not least because we are unable to reveal the figures of the two bids for legal reasons as well as NATO rules.

5. Controller Aircraft believes we could make clear to the outside world that we were doing this because the lowest bid overall was not the winner under the previous detailed rules. The re-run competition will be extremely fierce, although the exchange rate movements with the dollar may give Plessey a slight advantage compared with last time. The rules are that the quotes are compared on the basis of the exchange rates ruling the day before the price envelopes are opened. If we follow this course we will consult Plessey to hear their views on the chances of their winning a re-run.

6. You may wish to go into more detail and Controller Aircraft and I would feel that we could answer your further questions more quickly in a quarter of an hour's meeting than in any other way. If, however, you accept our word that there seems no better alternative than a re-run, Controller Aircraft will go ahead next week in that way.

Yours

18th March 1981

2

10 DOWNING STREET

PRIME MINISTER

Lord Trenchard told you several weeks ago that Plessey's bid for the NATO radar contract was under threat.

I understand from Lord Trenchard's Office that detailed negotiations are about to take place in Brussels, but that the situation has not changed since Lord Trenchard's last report - Flag A. - see 5.2.81

On the basis of the letter below, I have nevertheless asked Lord Trenchard's Office for a brief report in the course of this week, with particular reference to the pound/NATO unit conversion ratio.

16 March 1981

Aerospace

LPO

10 DOWNING STREET

From the Private Secretary

16 March 1981

Dear Balmer

We had a word last week about the NATO infrastructure radar contract, on which Lord Trenchard reported some weeks ago that Plessey's bid had run into difficulties.

The Prime Minister would like a note on where matters now stand. It has been suggested to her that the pound/NATO unit conversion ratio may be relevant, in view of recent currency movements.

I should be grateful for a note by 19 March.

Yours ever

Mike Pattison

C. V. Balmer, Esq.,
Ministry of Defence.

flcb

Aerospace.

10 DOWNING STREET

From the Private Secretary

16 March 1981

Thank you for your letter of 13 March following our telephone conversation that day, about UK interests in a NATO radar contract.

We will follow up the points which you make.

M. A. PATTISON

Dr. S. Shorrock.

DELIVERED BY HAND

PRIVATE & CONFIDENTIAL

Shorrock

Shorrock Security Systems Ltd.
Shadsworth Road · Blackburn · BB1 2PR ·
Lancashire · England.
Telephone: (0254) 63644 (15 lines).
Telex: 635151 SHOROK G.

Our Ref: SS/MD

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
10, Downing Street,
LONDON

13th March, 1981

Dear Mrs. Thatcher,

May I request that you please ask your Minister of State for Defence for an urgent update on the status of the current NATO radar contract for which Plessey of Gt. Britain and Hughes of the U.S.A. are the main contenders.

Should you receive a reply that Plessey are less competitive in the latest review, please question the wisdom of the decision and ask to see the £ to NATO unit conversion ratio. I believe, since the pound is lower, the British bid will now be the more competitive on all counts.

I have knowledge that Hughes and the U.S. officials of NATO have pulled out all the stops to win this contest and, to make their success more palatable to the U.K., they intend offering the U.K. not half a loaf, but only a few crumbs.

I wish to declare that I have no financial, business or personal interest in the request I have made other than that I am a member of Great Britain Limited and I wish to see us win through.

Lastly, may I wish you strength to your elbow and keep on course irrespective of how rough the weather.

Yours sincerely,
SHORROCK SECURITY SYSTEMS LTD

A Shorrock

DR. S. SHORROCK
Chairman & Managing Director

DELIVERED BY HAND

PRIVATE & CONFIDENTIAL

Shorrock Security Systems Ltd.
Shadsworth Road · Blackburn · BB1 2PR ·
Lancashire · England.
Telephone: (0254) 63644 (15 lines).
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Yours sincerely,
SHORROCK SECURITY SYSTEMS LTD

A Shorrock

DR. S. SHORROCK
Chairman & Managing Director

CONFIDENTIAL

MINISTER OF STATE FOR DEFENCE

Prime Minister [Infamation]
Bad news on the Plessey radar contract. We may have more infamation by the weekend.
MA 5/2

D/MIN/TT/6/6

Prime Minister

This is to give you warning that, contrary to our earlier hopes, there is a technical snag which may prevent Plessey being awarded the contract for three E/F frequency band air defence radars.

2. I did not intend warning you of this until next week because Controller Aircraft was looking into ways of changing the technical rules for the NATO competitive tender. This is not going well and we now learn that the Sunday Telegraph may have got a whiff of the problem. The attached note by Controller Aircraft therefore gives you forewarning.

3. My hope now is that we may succeed in enabling Plessey to win by following the option in paragraph 7 of CA's note.

John Nott

5th February 1981

CONFIDENTIAL

AIR DEFENCE RADARS

In the programme for replacing the UK Air Defence radars, conflicts of interest arise from the need to obtain supporting funds from NATO infrastructure (and so ease the burden on the Defence budget) and the procurement risks which then arise for British industry from the need to adopt International Competitive Bidding (ICB).

2. Considerations last Summer concluded that for the next three radars the Government should offer to meet the Plessey R and D costs with £8.8m divided between the Defence and Industry budgets. This allowed Plessey to tender at £6m per unit (anything lower was seen to threaten the economic viability of future business). It was noted then that the £6m figure could not offer a near certainty of success.

3. Subsequently bids for these three radars came from Plessey, Hughes and Thomson-CSF. All were judged technically compliant and the competition hinges on comparative costs. Thomson-CSF are eliminated leaving Plessey and Hughes with a narrow margin of difference.

4. Companies were required to bid and price a Schedule of Requirements comprising some 23 line items and were advised in the Invitation to Tender that certain Specified Item Numbers "will not be taken into consideration by the Authority when assessing the tenders in terms of compliance and price". These "excluded" Item Numbers covered some optional requirements (which may or may not be taken up) and those aspects which do not qualify for NATO infrastructure funding, eg spares other than war stock spares, certain trials and general purpose tools and test equipment.

5. The current problem is that Plessey have offered the lowest overall price but that part of their bid which qualifies for infrastructure funds (ie the notified basis for assessing tenders) is more costly than the equivalent part of the bid from Hughes.

6. The advice from the UK Delegation to NATO is that to award the contract to Plessey in these circumstances would lead the Americans to declare a dispute in the NATO Payments and Progress Committee which could result in the US withdrawing its support for infrastructure funding of these radars. This would amount to a veto.

7. The proposal is that the UK should table the facts in the P and P Committee and argue against an award to Hughes, on the grounds that, whilst minimising the cost to infrastructure funds, it would increase the cost both to the

/ UK ...

UK and to the resources of the Alliance. Any objection about the adverse effect on infrastructure funds would be countered by a UK offer to fund the difference. This would cost us approximately £700K.

8. It is impossible to foresee how far the US will want to press the other objection of a deviation from the terms of the original Invitation to Tender. The counter here would be to re-run the competition but this carries a high risk that, with Hughes now having won a parallel NATO competition for three radars for Norway, with Plessey already at their minimum economic prices and with intelligence about this competition available, Hughes would be able to underbid Plessey all round.

9. The alternative of withdrawing our request for infrastructure funds in order to award a national contract to Plessey would mean:

a. forgoing infrastructure funding of between £11½m and £15½m (depending on the level of support to be agreed);

b. in consequence accepting an increased cost to the Defence budget of between £16m and £20m;

c. put at risk through loss of goodwill in the P and P Committee requests for infrastructure fund authorisation for UKADGE Data Handling (up to £80m) and UKAIR Primary Static War Headquarters (up to £25m).

Aerospace

1. MAP
2. DPL to see MS

COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 5469 (Direct Line)
01-219 3000 (Switchboard)

V MS

INDUSTRY AND TRADE COMMITTEE

Information for the Press

The Industry and Trade Committee's Second Report for Session 1979-80 on the Civil Aviation Authority's Radar Replacement Programme will be published on Thursday 17th July at 11.00 a.m. as House of Commons Paper No. 700.

A short statement by the Committee's Chairman is enclosed on the clear understanding that it should not be published or released before 11.00 a.m. on Thursday 17th July.

G. Cubie,
Clerk to the Committee.

16 July 1980

INDUSTRY AND TRADE COMMITTEE

CAA Radar Replacement Programme

Press Statement by Sir Donald Kaberry, the Chairman of the Industry and Trade Committee

/ Not for publication or release before 11.00 hours on Thursday 17th July 1980 /

Since February the Industry and Trade Committee have been considering factors which impair the UK's export performance and increase our propensity to import manufactured goods. The Committee have heard evidence from many sectors of British Industry and many different issues have been raised with us. The short report which my Committee have published today deals with a subject which has been raised by several witnesses and which frequently arouses concern: the purchase by a UK public authority of equipment from overseas.

When the Civil Aviation Authority announced in May that an important part of a contract for the replacement of radar systems for the National Air Traffic Services would be placed with a Dutch firm we invited both the CAA and the two main potential British suppliers to give evidence to us. Our report gives our assessment of the issues involved. We recognise that in the end on price grounds the contract probably had to be placed abroad. We suggest, however, that earlier delays and an insistence by the CAA on a precise specification caused difficulties for the British companies. We conclude by urging that every effort be made to see that for the future public authorities (such as the CAA) do their utmost to ensure that as high as possible a proportion of contracts awarded by public authorities are placed with British firms.

Donald Kaberry

.....

Chairman

Original in CAR

D/I
(07 FOI)
aerospace.

10 DOWNING STREET

THE PRIME MINISTER

9 July, 1980.

Dear Norman,

Thank you for your letter of 20 June about the difficulties faced by Marconi Radar Systems in the NATO funded competition for Air Defence Radars for the RAF. I too very much regret that a bid from British industry was not successful in the first stage of this Early Warning Radar replacement programme. Having looked personally into the problems posed for our industry, I have asked Keith Joseph to advise me whether there are any general measures we might take, in view of the large volume of NATO business which will be available over the next few years.

As far as Marconi's immediate problem is concerned, the Department of Industry is in close touch with the company about the much larger second and third stages of this radar replacement programme and in particular what steps might be taken to improve the competitiveness of their position. These discussions will clearly have to take into account the better position which the US competitor currently is in, as a result of their established production programme.

Yours ever,

(SGD) MT

The Rt. Hon. Norman St.John-Stevas, M.P.

cc: Aerospace, Fud, HMT, CO, 6

file

cc Mosley Cat.

10 DOWNING STREET

From the Private Secretary

20 June 1980

BF 27/6/80

The Prime Minister has considered your Secretary of State's minute of 19 June about Radar Procurement. She has also seen the Chief Secretary's minute of the same date commenting on this.

The Prime Minister this afternoon discussed the issue with Lord Strathcona (accompanied by the Controller Aircraft) and Lord Trenchard (accompanied by Dr. Thynne). The Prime Minister explained that she accepted the Chief Secretary's view that there could be no call on the contingency reserve to fund R and D costs related to the potential radar contracts. But she recognised that many other countries provided assistance to meet such costs in this highly competitive field, and she was therefore prepared to make a Government contribution, from within the Defence and Industry programmes. This was an industry with a good record, with prospects of very substantial future business in the radar field: assistance with R and D costs seemed essential if the company was to be able to get in on the ground floor. Lord Strathcona stressed that whilst the Ministry of Defence would prefer to maintain a heavy radar industry in the United Kingdom, this was not a strategic imperative. Any payment made by the Ministry of Defence above the price of the least expensive suitable system would be money lost to the defence effort. In view of the offer his Department had already made, he had hoped that the Treasury would be able to make a contribution in respect of the additional VAT receipts which would accrue to the Exchequer from purchase of the British equipment. Lord Trenchard stressed that the Department of Industry's resources were already stretched, and it was clear that there were much larger demands yet to be made which would present major funding problems. At the same time, British support for research and development seemed pitiful against that available to European competitors. In his view, an increased Government financial effort would be necessary to preserve the stronger parts of our industry. In the case of this particular contract, Plessey had now agreed to write off a further £0.4m themselves, and had agreed that Industry money earmarked for another Plessey longer-term project could be switched to this project.

/ In further discussion,

In further discussion, the Prime Minister noted that the company had made it clear that any tender price below £6m per unit would threaten the economic viability of future business in the field. She also noted that the £6m figure would not offer a near certainty, given the obvious French interest in securing the contract. She recognised that both Defence and Industry programmes were very tight, but concluded that the Government should offer to meet Plessey R and D expenditure of £8.8m, with the cost divided between the Defence and Industry programmes over a three year period.

In the course of the discussion, the Prime Minister enquired about the basis on which NATO infrastructure costs were apportioned between members of the Alliance, and about the success or otherwise of British manufacturers in securing contracts under such funding. Lord Strathcona undertook to arrange for a note on this to be submitted to the Prime Minister, and I would be grateful if you could confirm that this is in hand.

See NATO June 80 // UK contribution

I am sending copies of this letter to Catherine Bell (Department of Industry), Alistair Pirie (HM Treasury) and David Wright (Cabinet Office).

MAP.

David Omand, Esq.,
Ministry of Defence

SECRET

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SECRET

a Master Set

Record of a Meeting to discuss Radar Procurement held at 10 Downing Street at 1515 on 20 June, 1980

Present:

Prime Minister

Minister of State for Defence (Lord Strathcona)

Minister of State for Industry (Lord Trenchard)

Controller Aircraft, Air Chief Marshal Sir Douglas Lowe

Dr. J. Thynne

Mr. D. Wolfson

Mr. T. Lankester

Mr. M. Pattison

The Prime Minister said that she had seen the minutes of 19 June from the Secretary of State for Defence and the Chief Secretary. She was not prepared to contemplate any charge on the contingency reserve in the course of finding means of relieving Plessey of research and development costs. The suggestion that the Treasury should contribute £1.2 m, equalling the additional VAT receipts from purchasing the more expensive British equipment, was unacceptable because the sum would be a charge on the contingency reserve. She was nevertheless prepared to contemplate assisting industry where research and development costs were heavy. Unless help was given, companies would never get a foot in the door. This approach was only worth-while if initial assistance would provide a launching pad for real prospects of obtaining orders over a period of time. She had seen a suggestion that Plessey might have prospects of business worth upto £150 m if they were enabled to win these initial orders. This seemed quite optimistic.

Dr. Thynne considered that the Plessey assessment was not unrealistic. Lord Trenchard explained that the radar market would be worth £1 bn over the next decade. Sir Arnold Weinstock had confirmed in writing that, if his company (Marconi) was helped over the current hump, it would expect to be able to compete

SECRET

/ again

again with foreign suppliers in the medium term. The hump was caused mainly by the assistance with R & D costs provided by Governments to competitors.

Lord Trenchard stressed that a Plessey tender of £6 m per unit could not be taken as a near certainty for securing the NATO orders. But Plessey had made it clear to the Department that they did not wish to set their tender price below this figure, if possible future business was to be economically viable. The Prime Minister commented that this was a prudent approach. This part of the electronics industry clearly had a future. Lord Trenchard considered it most important to support this industry (not exclusively Plessey) as a whole. Support was justified on industrial grounds: there was not an overriding strategic argument. Dr. Thynne explained that the work in question would sustain 200 jobs in Gateshead, but that 90% of the work would be split between the Isle of Wight and Weybridge.

The Prime Minister said that the two Departments would have to find the remaining money between them. Lord Strathcona said that the Ministry of Defence would like to see a heavy radar industry maintained, but that this was not a strategic imperative. Any payment made by the Ministry above the basic cost of adequate radar equipment represented money lost to the defence effort. He considered that the Treasury public expenditure accounting conventions were narrow-minded when one considered the impact of VAT on the additional costs created by any decision to buy British.

Mr. Lankester asked how either Department could expect to find the required money to support any part of these R & D costs: there were other major expenses in the pipeline for industry on BSC, and Defence had already given notice that it would be unable to live within the current year's cash limit. Lord Trenchard commented that the camel's back was already being broken by other demands. But the British support for R & D was

/ pitiful

pitiful by comparison with other European countries. Their support was now increasing. He was now pressing on his Secretary of State the need somehow to find more funds to sustain the better parts of our industrial capacity through present difficulties. Dr. Thynne explained that some part of the money offered by the Department of Industry would be switched, with Plessey's agreement, from another longer term project of that company. Plessey had that day agreed to write off a further £0.4 m. This left a figure of £8.8 m to be found.

The Controller Aircraft warned against disregarding the possibility of a French pre-emptive bid. Under the NATO tendering rules the French had been unable to bid for the first two radar sets in this series, as their contribution to the funding did not cover that slice. They had deliberately put money into the next slice to allow them to bid for this round of contracts. They would undoubtedly work hard to win the tender. But they did not yet know the prices on which the first round had been won. It was for this reason critical to ensure that a competitive British tender was submitted on 24 June. The rules were absolutely firm that the lowest compliant bid would win.

The Prime Minister asked whether the Department of Industry were still considering further support of £25 m for INMOS. Lord Trenchard said that Sir Keith Joseph was personally dealing with this. The Prime Minister considered that the Department would have to pull back. The present case looked to be a far better investment option. Some parts of industry would have to be preserved. She was concerned about the ensuing unemployment level if Government did not make the effort. Government would therefore need to assist in this case without calling on the contingency reserve. The two Departments should sort out the basis on which they could put up the money. She understood that the results of the tendering process would not be known for about 8 weeks.

/ Lord Strathcona

Lord Strathcona said that he and Lord Trenchard would reluctantly agree to split the £8.8 m total between their Departments.

In further discussion, the Prime Minister questioned NATO funding and procurement arrangements, which appeared to allow the French to twist the rules to their benefit. Lord Strathcona agreed to provide a note on the apportionment of NATO infrastructure expenses, and the success or otherwise of British industry in obtaining NATO contacts.

Lord Strathcona said that a comparable issue would arise in respect of Marconi later in the year. Sir Arnold Weinstock had now agreed to cover a greater proportion of the costs from group resources. The figure for bridging was now reduced to £10 m. The Ministry of Defence said that it had no funds available to help. He considered that there could be a strong "fair competition" case for trying to offer more Government support, but his Department also had no money. Sir Arnold Weinstock would argue strongly that his group had already done much more in the way of own funding than many other British companies.

20 June, 1980.

PRIME MINISTER

Lord Strathcona and Lord Trenchard each with one official will come in at 3.15 to discuss radar procurement. Mr. Pym and Sir Keith Joseph are out of London, but their Ministers of State have done the work on this subject.

Papers below:-

A. Useful Cabinet Office summary;
B. Mr. Pym's minute;
C. Chief Secretary's minute.

If you want to support Plessey in this field, the money can be found. Payments fall due over three financial years. In effect, the arrangement would be that HMG would allow Plessey to charge the R&D costs in the contract price for the next three RAF radars, thus allowing them to submit a competitive bid for the next three NATO radars on Tuesday.

20 June 1980

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E 0150

MR PATTISON

PLESSEY: AIR DEFENCE RADARS

I understand that the Prime Minister will discuss with the Ministers concerned this afternoon the question, raised in the minute of 19 June from the Secretary of State for Defence, of Government support of £9.2m to enable Plessey to bid competitively for the next batch of RAF radars. A decision is needed in time for Plessey to make their bid on Tuesday 24 June.

2. MOD and the Department of Industry propose that they should each contribute £3m and that the Treasury should contribute the balance of £3.2m from the contingency reserve. They did not consult the Treasury on this. The Chief Secretary, in his minute to the Prime Minister of 19 June, has said that he is content for Plessey to be supported on the understanding that the cost is shared between MOD and DOI without a call on the contingency reserve. He suggests that this should be practicable if the costs were spread over both 1980-81 and 1981-82.

3. Although the MOD are willing to put in £3m they regard the case as industrial rather than military. DOI are convinced that the order could pave the way for substantial further business for Plessey. They could be in line for NATO orders over the next five years worth perhaps £150m and for other export orders on top of that.

4. This reinforces the view which, I understand, the Prime Minister has provisionally taken - namely, that there should be no call on the contingency reserve and that the £3.2m should be found by DOI to the extent that they cannot persuade Plessey to settle for less.

5. This assistance could be criticized as contrary to the Government's general stance on industrial support. This could be answered on the grounds that it was for a high technology industry with good sales

/prospects

prospects and that the sum was to be found from existing public expenditure programmes by a reordering of priorities. (Thus reinforcing the case for no claim on the contingency reserve).

6. Lord Weinstock will no doubt complain that Marconi should have been supported too. But they wanted £16m and their sales prospects are poor because their heavy radars are in direct competition with those which General Electric are already successfully marketing.

7. Industry Ministers may try to ask that, of the £3.2m, the Treasury should contribute at least the £1.2m which represents the increased VAT which MOD will pay for the British purchase. It is true that such a contribution would be neutral in terms of the PSBR. But the fact is that public expenditure is defined to include the cost to Government departments of VAT on their purchases. The £1.2m would, therefore, be a claim on the contingency reserve and, as such, is unacceptable. There are many Departments which could put forward similar arguments for taking offsetting revenue into account but to do so would require a major change in the present procedures for controlling public expenditure, and there can be no exception in this particular case.

8. The choice is, therefore, between asking DOI to meet all of the balance of £3.2m and asking MOD and DOI to share it. DOI will argue that it will be extremely difficult for them, even though the cost would be spread over $2\frac{1}{2}$ years. However, we advise that they should be very strongly pressed to do so given that the case is primarily industrial. But in the last resort, and if they were pressed very hard, we believe that MOD would agree to meet half the costs.

9. The Prime Minister might reasonably point out that these public expenditure points should have been discussed fully and in good time with the Treasury. It is very difficult to deal with them satisfactorily at short notice and against a tight deadline.

D J Wright

D J WRIGHT

20 June 1980

19 June 1980

MR PATTISON

AIR DEFENCE RADAR

On the basis of the papers I have seen and a short discussion with the Under Secretary responsible at the Department of Industry, I think there is a strong case for supporting Plessey's bid with £9.2m. This is not a case of supporting a lame duck, but building up an industry with a proven record of export achievement and very substantial opportunities among developing countries in the future. Other countries support their radar industries very heavily indeed.

I have no strong views on where the remaining £3m should come from, but cannot see why DoI and MOD should not split the difference on this. There would be little point in offering less than £9.2m.

ANDREW DUGUID

3

MO 26/7/3

PRIME MINISTER

When we spoke on 29th May you asked me for an analysis of the bids submitted in the recent NATO procurement competition for the Buchan and Benbecula air defence radars and also to consider what steps could be taken to put British bidders in a more competitive position for future contracts in the current programme.

2. The attached note by officials explains the reasons why the General Electric price was so much lower than the others for Buchan and Benbecula. There are, I am afraid, quite legitimate reasons why the Americans hold an advantage over us in this area, and we have no evidence that dumping was involved in order to win this contract. The note also explains a possible course of action for putting British industry in a good position to win the next stage of the procurement competition.

3. Inevitably, any assistance to British industry will cost money, and in order for that assistance to be effective we must avoid spreading our limited resources over too wide an area. It is my judgement that we cannot support Marconi to the tune of nearly £16m and that Marconi must make a commercial judgement themselves on whether they wish to bid competitively to maintain their heavy radar capability. The situation with Plessey is rather different. Plessey put in a much more competitive bid in the first round of the competition and the extra expenditure required to give them a near certainty of winning the contract is lower (£9.8m).

4. I am bound to say that I do not regard any of this expenditure as a legitimate cost to the defence budget. The MOD has no strategic need to support a heavy radar capability in British industry - this is implicit in our acceptance of NATO International Competitive Bidding Rules which allow for foreign procurement. Nor would the RAF get better equipment for its extra expenditure. Nevertheless, I do recognise the

the importance to British industry of winning these contracts and Tom Trenchard and Euan Strathcona have been considering ways in which this might be achieved. As the note suggests, I would be willing to consider matching the contribution which the DOI can manage, which would provide about £6m of the required funding. I really cannot do any more than that. The note proposes how the remaining money might be found.

5. The question of timing is important. As my Private Secretary indicated in his letter to yours of 23rd May the next stage of this process is for Plessey to put their bid in on 24th June. To resolve the immediate problem of giving them advice on which they can base their NATO bid price Keith Joseph and I agree that we should - unless you advise otherwise - inform them on Monday afternoon that they may assume that some £9.2m of Government support will be found to cover their outstanding R & D and non-recurring costs.

6. I am copying this minute to Keith Joseph, John Biffen, John Nott and to Sir Robert Armstrong.

Ministry of Defence

19th June 1980

UKADGE RADARS - NOTE BY MOD AND DOI OFFICIALS

There are three main reasons why the General Electric price was so much lower than the others in the first competition for procurement of radars for UKADGE. First, the development and production contracts the firm had already received allowed GE to discount the development cost of their radar. Secondly, the more up-to-date design allows for mass production techniques which offer a unit cost reduction and greater flexibility in meeting variant requirements. Thirdly, the strong UK/US exchange rate affects the issue. When the British designs were initiated exchange rates of around $1.8/£ were anticipated rather than the $2.4/£ now experienced. Even so a rate of around $1.2/£ would have been required for a British firm to win, allowing for the one-third US content of the Plessey bid. Neither British firm has received significant development support for their heavy radars. There was no evidence that dumping was involved.

2. The RAF is now seeking a further 10 new radars with roughly equal numbers falling in the two allotted frequency bands - D and E/F - to reduce vulnerability to countermeasures. Tenders for the first batch of seven (4 D and 3 E/F - which includes 2 radars being bought on behalf of Denmark) are to be conducted under NATO rules. The remaining five will be totally UK funded.

3. In D band the competition is expected to be again between GE, Westinghouse and Marconi, whilst in E/F band competition between Plessey and Hughes will be joined by Thompson CSF. The British companies are therefore not in direct competition. The bids for E/F band are required by 24th June 1980 and for D band by October 1980. The immediate problem therefore concerns Plessey. Nevertheless, it will be difficult to treat the D band part of the competition differently from that for E/F so a decision in principle on seeking NATO funding must also be made now for that part of the procurement which concerns Marconi.

4. It must be for the companies themselves to judge what prices are likely to win the NATO competition. Plessey believe that, to have a fair chance of winning, their price must be £6.4m per radar. This would require an undertaking that in addition to winning the NATO competition for three E/F radars they would also fill the later national requirement for three additional E/F radars. To meet this price they also need support of about £9m.

To improve their chances further Plessey would need to be in the same position as GE whereby they would be relieved of having to recover R&D in their NATO bid. Their assessment is that they could offer a price of £6m per radar. This would increase the support required to £9.8m. This is the best assessment that Plessey can make in order to be near certain of winning the competition and remaining profitable. Nevertheless, France might see national advantage in winning it at any cost but for us to try to compete against this would make no commercial sense.

5. Marconi's problem is more difficult. They need £15.7m to match the successful GE bid in the earlier competition. This is more than the £14m which Marconi say represents their development and non-recurrent costs, and it also assumes that GE would not lower their prices further now they have won other contracts for their radar. If Marconi would contribute £6m by writing off past development costs this would still leave £10m for the six radars and this would unavoidably mean that we were also subsidising the two radars for Denmark. Moreover, the technical advantage of GE means that Marconi would find it difficult to be profitable in future at the low prices we expect GE to offer in competition.

6. It is difficult for MOD to justify or provide for the additional funds Marconi would need. The Department of Industry reserve their position and intend to look further with Marconi into their competitiveness but the Ministry of Defence cannot provide support for Marconi either in the NATO part of the procurement or the national part. There are no strategic defence interests for supporting both companies in the heavy radar industry and it might be better therefore to concentrate our scarce resources in the most cost-effective manner.

7. Conclusion

If it is decided to support Plessey, and give them the best realistic chance of winning the NATO contract, £9.8m is required. Plessey who have written off over £5m of past development costs can only contribute £0.6m. The DOI hope to find about £3m and, although there is no strategic defence interest in this issue, the Ministry of Defence would match this figure if Ministers so direct. There is still a shortfall, however, some of which (£1.2m) represents the increased VAT for a British purchase. The Treasury might agree to this remaining share coming from the Contingency Reserve as a contribution towards Government purchasing policy.

S E C R E T

COMMERCIAL-IN-CONFIDENCE

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PRIME MINISTER

PLESSEY RADAR

I have just seen Francis Pym's note of today on Plessey and NATO radar procurement. I understand that you would welcome a note tonight.

2. I agree of course that we should not support Marconi. I recognise too that there is a problem about regarding support for Plessey as a legitimate cost to the defence budget. But if we are to support Plessey I am content that the cost should be shared between the Ministry of Defence and the Department of Industry.

3. Nevertheless I cannot agree that we should make room for an offer to Plessey by making a call on the contingency reserve, as the note by Ministry of Defence and Department of Industry officials proposes. It is unfortunate that my officials were not consulted about this.

4. I do not however wish to oppose an offer of support to Plessey to the tune of £9.2 million provided that Francis Pym and Keith Joseph can make room for it within their programmes. I accept that this would be very difficult in 1980-81. I therefore propose that the payments should be spread over 1980-81 and 1981-82. This would surely ensure that there is no need to increase cash limits and make a claim on the contingency reserve this year.

5. I am sending copies of this minute to Francis Pym, Keith Joseph, John Nott and Sir Robert Armstrong.

A. Pine

P.P. JOHN BIFFEN
[Approved by the Chief Secretary
and signed in his absence]

19 June 1980

COVERING SECRET

PRIME MINISTER

I mentioned to you this report from Mr. Pym about the next round of N.A.T.O. radar contracts. In consultation with the Department of Industry, he has concluded that nothing can be done to help Marconi, but that Plessey (bidding for a different part of the system) may merit assistance. They need to reduce their price by £9.8 million to have a near certainty of winning the contract. The Company can find £0.6 million. Defence and Industry can find £6 million, and suggest that the Treasury might help to bridge the gap.

I understand that Mr. Biffen* is likely to come back to you refusing to find contingency reserve money. The decision time-table is tight. You will need to give clear instructions before you leave for Venice, as the tender must be submitted on Monday.

Nav at "A".

Plesseys have won good overseas business in radar. When they did not win the air traffic control radar tender, you were led to believe that there would be other good contracts for them. If we are going to help them, we need to find the full amount suggested, and we need to hope that the French will not adopt a competitive win-at-all-costs approach. You are unlikely to squeeze any money out of the Treasury in the course of tomorrow. If you want to do your best to ensure that Plessey get the contract, I think that you will therefore need to direct Mr. Pym and Sir Keith Joseph to find the full £9.2 million from their joint resources. They will have to act quickly. You may think it worth having a word with them tomorrow afternoon, perhaps with Mr. Biffen.

How would you like to proceed?

Industry is most likely - not I believe I.C.I. - is away? MAP

19 June 1980

COVERING SECRET

Mike Pattison No.10

SECRETARY OF STATE

WITH

THE COMPLIMENTS OF THE

PRIVATE SECRETARY

I had this prepared, and you might find it of interest.

David Omand.

MINISTRY OF DEFENCE, WHITEHALL

Telephone: 01-218 9000
01 218

TIMETABLE OF EVENTS - UKADGE RADAR

13th May	Officials report outcome of ASR 887 competition - Buchan and Benbecula, and warn of potential problem for UK companies in next stage of competition;
16th May	Minister of State, MOD, approves outcome of ASR 887 and asks officials to consider the prospects for the next stage of the competition;
23rd May	Letter from APS/S of S, MOD, to PS/S of S, DOI, Copy to No 10, advising outcome of ASR 887 and indicating steps being taken to help UK companies;
29th May	No 10 asks for advice on how UK companies can be made competitive;
4th June	Lord Strathcona and Lord Trenchard discuss way forward and ask officials to obtain information from companies to assist in replying to No 10 and suggesting a way ahead;
16th June	Officials advise Ministers of possible ways of assisting UK industry;
16th June	Lord Strathcona and Lord Trenchard meet to consider this advice and propose terms of reply to No 10;
19th June	S of S, MOD, minutes the Prime Minister;
24th June	Tenders for Stage II of NATO competition expire.

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T/L to see
Ra MAP 5/VI.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7822~~ 218 2111/3

MO 26/7/3

4th June 1980

Dear Mike,

AIR DEFENCE RADARS

The Minister of State for Defence, Lord Strathcona, met the Minister of State for Industry, Lord Trenchard, this morning to discuss, in the light of the Prime Minister's telephone conversation with my Secretary of State, the subject of Air Defence Radars. We are aiming to reply to the substantive points made by the Prime Minister and recorded in your letter to me of 29th May within the next fortnight.

I am sending copies of this letter to Ian Ellison (Industry), Stuart Hampson(Trade), Martin Hall (HM Treasury), Paul Lever (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

Yours sincerely

(J D S DAWSON)

M A Pattison Esq
10 Downing Street

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DSQ

Aerospace 7

BF 13.6.80

10 DOWNING STREET

From the Private Secretary

29 May 1980

Dear Jonathan

The Prime Minister today spoke on the telephone to your Secretary of State about NATO Air Defence Radar Procurement. The Prime Minister explained that she was most concerned about the disparity between bids from American companies and from British companies, as described in your letter of 23 May. She asked that there should be a thorough analysis of the basis of this, so that Ministers could have a clear picture of whether this arose from American arrangements to cover development costs, from the exchange rate, or from a form of dumping. She saw no prospect of Britain obtaining orders for the remaining sets in this programme if the bidding continued on the current basis.

Your Secretary of State undertook to have this investigated in detail, and to consider what steps could be taken to put British bidders in a more competitive position for future contracts under the current programme. He stressed that the deadline for the first two sets was close of play today, and that this would now have to be allowed to go through. The Prime Minister concurred with this.

I would be grateful if you could now ensure that further work is put in hand, in conjunction with the Department of Industry, and if you could let me have a note of the likely time-scale. The Prime Minister accepted advice that the Government should not intervene over CAA radar procurement on the basis that there would be opportunities arising in the defence field. These later developments seem to put this in serious doubt.

I am sending copies of this letter to Ian Ellison (Department of Industry), Stuart Hampson (Department of Trade), Martin Hall (HM Treasury), Paul Lever (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

Jonathan Dawson, Esq.,
Ministry of Defence.

CONFIDENTIAL

JS

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10 DOWNING STREET

PRIME MINISTER

You asked to have a word with Mr. Pattie about the NATO competition for Air Defence radar. He is on a visit to Cyprus until Monday.

Do you want to discuss it with Mr. Pym early next week?

Yes please not!

MTP

Prime Minister.

28 May 1980

Mr Pym is now expecting to speak to you at 1700 today on the telephone.

JWL
29.V.

Original in CR.

Aerospace

10 DOWNING STREET

THE PRIME MINISTER

27 May 1980

Dear Charles,

Thank you for your letter of 29 April about the CAA's purchase of radar equipment.

I have indeed been taking a close personal interest in this matter for some time past. My colleagues and I were particularly concerned to ensure that the Authority, who had been in touch with British industry about its needs for some years past, had given due consideration to the original Plessey/Marconi bid for this equipment. In the later stages we also urged them to make a detailed appraisal of the further bid made by Marconi acting alone. They did so and as you know the firm was able to make a full presentation to a team from the CAA. The CAA team was a high-level group with considerable technical competence led by a Board member. Unfortunately the firm was not able to come up with a proposition which the team could recommend to the CAA Board, which then placed an order with HSA.

The Authority considered that the timing of delivery was crucial and the advanced stage of development of the HSA radar - it is already in production and operation - gave it a considerable advantage. Although we would have liked to see United Kingdom firms win this business, I do think we ought to respect the right of the CAA to take a decision which is within its competence and for which it would be answerable to airlines and to the public who pay for its services. I note the comments you made about the CAA's attitude in your letter to Tom Trenchard but I think it only fair to record

/that the

that the Authority has always purchased most of its equipment from United Kingdom sources and is adamant that it will continue to do so whenever it can.

It is also relevant that HSA intend to place a considerable amount of the work on this contract back in the United Kingdom - about half the £9.7m total could be spent in this country. I believe that you will have received a letter from Mr Jeelof, the Chairman of Philips Industries, in which he has emphasised the extent of the group's activities in Britain. He has also undertaken that although this contract was placed with Philips' subsidiary, HSA, 50% of the content will be manufactured in Britain by another subsidiary, MEL, which will share in any future orders for similar equipment abroad.

I know that Marconi and Plessey are disappointed at losing this contract but there is some comfort to be taken from the fact that British firms are expected to supply some 56% of the whole £24.7m programme of which this contract is a part.

The CAA is keen to buy British whenever possible and together with the Authority we are now considering how to ensure that in the future British companies are best placed to offer the equipment which satisfies the CAA's needs and has the best export potential.

Yours

Margaret

Cranley Onslow, Esq, MP

2

PRIME MINISTER

MS

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~938 X02X~~ 218 2111/3

SECRETARY OF STATE

This will cause a lot-
I would. Roy!
have a word with
Geoffrey Pattie?
ds

MO 26/7/3

13 May 1980

Dear Ian,

AIR DEFENCE RADAR PROCUREMENT

You will wish to know that towards the end of this month we shall be announcing that a NATO competition for the replacement of the Air Defence radars at Buchan and Benbecula has been won by the American company General Electric. These two radars are the start of a three part programme involving a total of 12 transportable three-dimensional (3D) radars to provide essential improvement to UK air defences. This is itself part of a wider NATO air defence improvement programme.

The United Kingdom makes a substantial contribution to NATO infrastructure funds and we believe that the Defence budget should seek as much benefit as possible in return. In terms of these surveillance radars we expect to receive NATO funding of between £29M and £35M out of an estimated total cost of £80M.

Access to NATO funding, however, requires that selection of contractors must be open to international competitive bidding in accordance with NATO rules, which require the contract to go to the company whose bid meets the specification at the lowest price.

In the case of the Buchan and Benbecula radars the General Electric (of America) bid was £10.9M of which £8.25M is eligible for NATO funding. This is substantially lower than the bids of £23.3M from Marconi, £20.6M from Hughes and £15.7M from Plessey (the latter bid in association with ITT).

I Ellison Esq

It is regrettable that one of the UK firms was not able to win this international competition. However, to stop the contract going to General Electric would mean withdrawing the request for infrastructure funding; this would increase the cost to the defence budget and therefore the taxpayer, by some £13M. It would be embarrassing for us in NATO and there would be a serious risk of jeopardizing our bid for the much larger amounts of infrastructure support needed for the other aspects of UK air defence improvements - possibly a further £70M.

In developing their radars UK firms have been at a disadvantage compared with General Electric whose development costs have been covered largely by national requirements for the US Marine Corps. In the context, in particular, of recent decisions on the CAA radars, this points to the urgent need to consider what can be done to enhance the immediate prospects of UK firms in the forthcoming competitions for the remaining radars. This is of course primarily a matter for your Department and we are making arrangements for early discussions between Lord Strathcona and Lord Trenchard. We particularly wish to make sure that British firms have the best possible prospects for winning orders not only for the remaining 10 radars, but also for some 70 more radars which NATO is expected to procure during the next decade.

I am copying this letter to Mike Pattison (No 10), Roderic Lyne (FCO), Martin Hall (HM Treasury), Stuart Hampson (Trade), Richard Dykes (Employment), and to David Wright (Cabinet Office).

Yours sincerely,

(J D S DAWSON)
MoD

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Aerospace

cc Press Office
Mr Dugmid

From the Secretary of State

RESTRICTED

Ian Ellison Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
London, SW1E 6RB

30 April 1980

Dear Ian

CAA RADAR REPLACEMENT

The Civil Aviation Authority (CAA) have today placed the contract with HSA for the remainder of their radar replacement programme. I attach a copy of the Press Notice which the CAA propose to issue at noon on Friday. This text has already been discussed between our officials, but the Secretary of State has made some changes to try to divert the attention of the story from the placing of the order with the Dutch company to the overall UK content of the radar order.

I am copying this letter to Mike Pattison (Number 10), Colin Balmer (Lord Strathcona's Office) and to Richard Prescott (Paymaster General's Office).

Yours sincerely,

Stuart Hampson

S HAMPSON
Private Secretary

RESTRICTED

RADAR REPLACEMENT PROGRAMME

Plans have now been finalised to replace the radar systems for the Civil Aviation Authority/Ministry of Defence National Air Traffic Services Programme.

The total cost of the radar replacement programme is estimated at £24.5 million, of which about 30 per cent will be met by the Ministry of Defence. More than half of the total value will have been contracted or sub-contracted to British firms.

The CAA placed a £1.1 million contract for secondary radar with Cossor in 1979; a £2.5 million contract for primary radar aerials was placed with AEG Telefunken in 1979; and a £1.2 million contract for remote control and monitoring equipment was placed with Marconi Radar Systems Limited earlier this year.

A contract for the primary radar has now been placed by the CAA with Hollandse Signaal Apporaten (HSA) to the value of £9.7 million. About half of this could be spent in the United Kingdom.

A further £10 million-worth of contracts is still to be let, principally in the United Kingdom for buildings, radar towers and associated works.

Considerable work has been done by the CAA in evaluating the competitive bids made for the radar contracts. Crucial to its decision was the timing of delivery. The advanced state of development of the HSA radars, which are already in production and operation made them the most attractive choice in this respect,

and they also met the CAA's requirements in terms of technical performance and flexibility. Similar equipment is already in service in Singapore and with NATO.

Timing

Delivery of the new radars is required progressively from 1981 onwards in order that siting, evaluation and setting-up trials can be completed before the equipments become operational from 1983. This timing is critical if the National Air Traffic Services (NATS) are to continue to provide an effective and safe air traffic service.

The radars currently in use need to be replaced and, in addition, they are not compatible with the radar data processing systems in use and being developed at the London Air Traffic Control Centre. Unless these radars are replaced by 1983, the National Air Traffic Services could reach a situation where civil flights would have to be delayed, re-routed or cancelled and military flights adversely affected.

Location and Range

The new primary and secondary radars will be sited at London Heathrow Airport to provide services for Airport Approach Control and the Terminal Control Area, and at locations in Sussex, Essex, Lincolnshire and Yorkshire to provide long range cover for en-route and off-airways services.

The Heathrow radar will have a range of 80 miles, the others a range of 160 miles except Yorkshire which will have a range of 210 miles. Effectively covering the whole of London, South, East and North-east England, they will feed radar data to the London Air Traffic Control Centre at West Drayton, which provides services to air traffic over the whole of England and Wales.

Other Projects

The Civil Aviation Authority's practice has always been to buy British whenever practicable. The radar replacement programme is only one part of the CAA's wide-ranging re-equipment programme over the next five years which, as already announced, will total well over £100 million.

This programme will include a variety of projects such as the modernisation and extension of the London Air Traffic Control Centre, navigational aids and control towers. The CAA is keeping in close touch with British industry on its plans for these projects, and would expect British firms to win a large proportion of the work.

2.

Aerospace

PRIME MINISTER

Civil Aviation Authority Radar Contract

Sir Keith Joseph has now confirmed that he is content to accept Mr. Nott's decision not to intervene on this purchase. CAA will now buy from the Dutch supplier. The contract will be placed tomorrow, [WEDNESDAY] in order to avoid a price increase which would be effective on 1 May.

MAP MN.

29 April, 1980.

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

30 April, 1980.

The Prime Minister has seen your Secretary of State's minute of 23 April, about the CAA radar replacement contract. She agrees that Mr. Nott should not intervene in the CAA's choice of equipment, and she understands that CAA are therefore likely to go ahead with ordering from HSA today.

I am sending copies of this letter to Martin Hall (HM Treasury), Catherine Bell (Department of Industry), David Omand (Ministry of Defence), and David Wright (Cabinet Office).

M. A. PATTISON

Stuart Hampson, Esq.,
Department of Trade.

CONFIDENTIAL

PRIME MINISTER

You were content with Mr. Nott's proposal to let CAA go ahead with its radar contract for Dutch equipment.

We have now heard that Sir Keith Joseph would like a little more time to consider this. This does not interfere with the decision making schedule, so if you agree we will hold back until next week in case Sir Keith wants to come back to you.

MF

25 April 1980

CF
Chase Industry
on Tuesday, a.m., please
MF 28/IV

cc Mr Ingham
C. B. Ingham

Prime Minister
Marconi's new proposal has proved unsatisfactory. Agree that Mr Nott should not try to override the CAA?
TL
28/4

PRIME MINISTER

CAA RADAR REPLACEMENT CONTRACT

In your Private Secretary's letter of 16 April you asked to be kept informed of developments on the CAA Radar Replacement Programme.

You will recall that the Ministerial meetings on this subject, and the Question which you faced in the House, were sparked off by political lobbying by Plessey and Marconi. At that time it was made plain by the CAA that, although it currently favoured the Westinghouse bid, the HSA proposal was regarded as the second contender. Had it not been for the lobbying by Plessey/Marconi no statement need have been made at that stage and the further assessment which led to HSA's emergence as the favoured contender on grounds of technical merit, delivery date and price could have continued without political embarrassment. The final decision by CAA has been further delayed by a late bid from Marconi, who having dumped their partner Plessey submitted a less than detailed proposal to which they were not able to attach a price. Marconi's claim that this is a superior proposal to that which they earlier made with Plessey buttresses, rather than undermines, the CAA's critical view of that consortium's proposal.

Throughout this controversy the CAA have emphasised their general policy of buying from British firms wherever possible. The key issue has been not whether the British companies have general competence in radar systems but whether they could meet the time scale required (and which it would be risky to extend) to develop a system to meet the CAA requirement. The CAA bears the statutory responsibility to provide for the safe and expeditious conduct of air traffic and it has had to judge the extent to which it should

risk prejudicing its duties by rejection of systems already developed and in use, in favour of an undeveloped system.

I should now bring you up to date with the latest developments.

The CAA Board met on 15 April to consider the report of a review board upon the National Air Traffic Service (NATS) experts' proposal to place the contract for the radar system with Hollandse Signaal Apparaaten (HSA). The members of the review board were men of unquestioned ability. Professor David Keith-Lucas (Chairman of the Airworthiness Requirements Board and a former CAA Board member), Dr Andrew Stratton (a specialist in navigation equipment with long experience at the Royal Aircraft Establishment, Farnborough, and an existing Board member) and Professor Alexander Kennaway (an engineer, management systems specialist and a Board member). They confirmed the earlier judgement that the Authority should not purchase the Plessey/Marconi system or the Marconi alternative proposal and found that the HSA system was superior to the Westinghouse equipment. (The AEG turning equipment has already been ordered - and there is effectively no alternative.)

Nonethe less, as I had asked him to do, Sir Nigel Foulkes guided the Board to defer a final decision until Marconi had had a further chance to explain their proposals in more detail. Mr Sunderland, Managing Director of Marconi and his team met the NATS experts and Dr Stratton last Friday. I understand that Mr Sunderland was unable to convince Dr Stratton that the new proposal was superior to that of HSA, as well as those of Westinghouse and the earlier joint Marconi/Plessey consortium, nor was he able to give a price for the system, which he expected would receive a subsidy from the Department of Industry.

HSA obviously realise that their system, which is working in Singapore, has emerged first on grounds of technical merit, credibility of timely delivery and price. The company claims to have repeatedly made offers of collaboration and UK production to Marconi on the 14 HSA long range surveillance radars which have been ordered by the Royal Navy and which are said to have 80% electronic commonality with those offered to CAA. My Department now know that HSA informed the Department of Industry on 16 January of this year that if they received the CAA order, 50% by value of the work would be placed with their subsidiary, MEL of Crawley, and that future RN orders (for which I understand there is a prospect) would then also be produced there.

Both HSA and the Dutch Minister (Economic) in London, Mr Van der Tas, have pointed out that we export a great deal of high technology equipment to Holland. Rolls Royce, Westland and Ferranti are major defence suppliers and Marconi has won a contract to supply all the communications equipment for the 12 new Dutch S class frigates.

Mr Van der Tas, in the absence of the Ambassador, has received instructions from the Hague to raise this matter with me, and he expressed the hope that the general rules for competitive bidding in the EC would not be ignored. The message also contained the statement "that the special relationship with the Netherlands in the context of more general EC discussions should not be overlooked".

Blackmail

It seems certain that at their meeting tomorrow the CAA Board will decide to seek my formal approval for the expenditure to make this purchase from HSA. The composition of the total radar replacement contract will be as shown at Annex and will include over 55% of British equipment.

As you know, I have power only to refuse to sanction that expenditure, not to require that some other purchase should be made. In any case I would not wish to override the views of both the CAA Board, its technical experts and the three man evaluation review board.

I realise that a decision to buy from HSA may be widely criticised, but I see no advantage to be gained from putting off its announcement or from further rounds of Ministerial discussion. The public airing (by the companies themselves) of the problems of both Marconi and its jilted ex-partner Plessey would do no less harm to the British industry than the loss of this part of the £27.5m programme. The widespread publicity for the affair has already damaged the reputation of British industry. If we were to refuse loan sanction to the CAA we would in my view be subject to domestic, political and EC criticism, as well as running the risk of retaliation against our own high value exports to Holland. The political row here, in the Hague, Brussels and Luxembourg should not be underestimated.

I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, the Secretary of State for Defence, and Sir Robert Armstrong.

SN

JN

Department of Trade
1 Victoria Street
London, SW1

23 April 1980

A Secondary surveillance radars
- ordered from Cossor Electronics (British).

B Primary radar system

6 aerials and turning gear
- ordered from AEG (German).

11 transmitter-receivers, associated signal processors and plot combiners
- now to be ordered from HSA (Dutch) but with 50% content from MEL (British).

6 radar site control and monitoring systems
- ordered from Marconi (British).

In total the order will be worth about £24.7m (+ VAT), of which UK firms will be supplying £13.8m (56%).

BF 16/5/80

CONFIDENTIAL

File HMT DOT MOD CO.

10 DOWNING STREET

From the Principal Private Secretary

16 April 1980

Dear Steven,

CAA RADAR REPLACEMENT CONTRACT

The Prime Minister has seen your letter of 14 April 1980 about the latest state of play on the choice of a replacement for the NATS radar system, and she discussed the matter with your Secretary of State when she saw him yesterday morning. At the end of their talk the Prime Minister told Mr. Nott that she was content for him to proceed in the way he proposed. She would, however, be grateful if he would continue to keep her in touch with further developments in the story.

I am sending copies of this letter to Martin Hall (Treasury), Ian Ellison (Industry), David Omand (Defence) and David Wright (Cabinet Office).

Yours ever,

Clive Whitmore.

S. Hampson, Esq.,
Department of Trade.

CONFIDENTIAL

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

2

PRIME MINISTER

The details you asked for.

NJS

14/4

CONFIDENTIAL

From the Secretary of State

N J Sanders Esq
Private Secretary
10 Downing Street
London, SW1

14 April 1980

Dear Nick

CAA RADAR REPLACEMENT CONTRACT

In your letter of today's date you asked for a report on the present state of play on the choice of a replacement for the NATS radar system.

It will be recalled that the earlier series of Ministerial meetings on this subject were largely provoked by letters of protest from Plessey and Marconi at their likely exclusion, and Ministers were then led to believe that Westinghouse was the preferred system. My Secretary of State did, however, inform the Prime Minister (and the Secretary of State for Industry and Lord Strathcona) at the meeting on 17 January that even if we were to refuse loan sanction for a purchase from Westinghouse, we would be faced with a request for loan sanction for the system of Hollandse Signaal Apparaten (HSA), (a Netherlands firm controlled by Phillips), which was the CAA's second option (Mike Pattison's letter of 17 January).

Since then the CAA's technical assessment team has looked at the front runners in greater depth. As a result of their further examination (which included a visit to Singapore to see the HSA system in operation there) their considered judgement is that the HSA system has a somewhat better technical performance than Westinghouse in a number of respects (eg Westinghouse has a lower rejection of "clutter"). At the same time, a significant price difference in favour of HSA has emerged. The CAA therefore felt it ought to look again at the comparative merits of Westinghouse and HSA.

Since the rejection of the Plessey/Marconi system, the two companies have divided. Marconi put in a bid to keep in the running but placed no price on its still to be developed system.

In answer to the Prime Minister's specific points, her understanding of the position is of course, quite correct. The British system (that is to say the system of transmitter-receivers and associated equipment offered by Marconi) is not yet in operation while both the Westinghouse and HSA systems are already operating and are tried and tested.

CONFIDENTIAL

From the Secretary of State

CONFIDENTIAL

The CAA's radar replacement programme is made up of different parts. The radar replacement programme comprises secondary surveillance radars which the CAA has already decided to buy from Cossor Electronics (a United Kingdom firm) plus the primary radar system made up of:-

6	Aerials and turning gear	- from AEG (Germany).
11	Transmitter-receivers, associated signal processors and plot combiners	- now under discussion.
6	radar site control and monitoring systems	- from Marconi.

Whatever radar system is ultimately used, it will need to be fully compatible with the aerial/turning gear being supplied by AEG and the information from the primary radar will need to be co-related with that from the secondary surveillance radar. It is true that in the HSA proposal the parts of the system have not been put together before - but this is true also of the Westinghouse and Marconi system. If the HSA system is installed, the CAA's experts are satisfied that the interface arrangements will be entirely satisfactory.

My Secretary of State saw the Chairman of the CAA this evening. Sir Nigel Foulkes said that at the Board meeting tomorrow he expected a decision to be taken in favour of HSA. My Secretary of State persuaded him, however, that no final decision should be taken until there had been a full evaluation of the Marconi bid, to be conducted not only by CAA technical staff but also by Dr Stratton, who has recently been appointed to the Board. He also convinced Sir Nigel that in the event of the contract being awarded to HSA the CAA should insist on the maximum use of British components from the Phillips subsidiary Mullard. This would result in a total British content in the radar replacement equipment of about 55%.

Sir Nigel said that he would not be making any statement to the Press after the Board meeting tomorrow.

I am copying this letter to Ian Ellison (Industry), David Omand (Defence), Martin Hall (Treasury) and David Wright (Cabinet Office).

Yours sincerely.

Stuart Hampson

S HAMPSON
Private Secretary

FILE

Original in C/R RH

CF to note

Aerospace.

10 DOWNING STREET

cc D/I
D/T

THE PRIME MINISTER

7 February 1980

Dear Mr. Ross

Thank you for your letter of 29 January about the Civil Aviation Authority's procurement of radar equipment.

The Government has given careful consideration to this matter. While it does not wish to see damage caused to the prospects of the British heavy radar industry, it nevertheless respects the right of the CAA to take a decision which is within its competence and for which it will be answerable to the airlines who pay for its services. The Government does not consider itself entitled to overrule the judgement of the CAA in this matter.

I am assured that the CAA wishes to buy British equipment whenever possible. Arrangements are being made to ensure that the British industry is fully informed of future requirements, so that it can undertake any necessary development work in good time.

Yours sincerely

Margaret Thatcher

Stephen Ross Esq MP

VLS

Fue

DSG

Aerospace.

5 February 1980

Michael Clark has now responded on behalf of Plessey to the Prime Minister's letter of 25 January about the Government's position on Civil Aviation Authority radar requirements. I enclose a copy of his letter.

I have sent a brief acknowledgement. The Prime Minister does not propose to send a further reply.

I am sending copies of this letter and enclosure to Ian Ellison (Department of Industry), David Jones (Lord Strathcona's Office, MOD), Martin Hall (HM Treasury) and David Wright (Cabinet Office).

M. A. PATTISON

Hugh Bartlett, Esq.,
Department of Trade.

5 February 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 31 January about the Civil Aviation Authority's radar requirements.

I will of course bring this to the Prime Minister's attention immediately.

M. A. PATTISON

Michael Clark, Esq., C.B.E.

Aerospace

10 DOWNING STREET

From the Principal Private Secretary

4 February 1980

Radars for the Civil Aviation Authority

Thank you for your letter of 30 January 1980 about your telephone conversation with Sir Arnold Weinstock about the Civil Aviation Authority's purchase of radars. I have shown the letter to the Prime Minister.

The Prime Minister accepts that Sir Arnold Weinstock may have a point when he complains that Government Departments and nationalised industries often ask industry to develop equipment to very high standards and then change their minds and buy abroad. It was in order to prevent this kind of thing happening that the Prime Minister told Lord Nelson in her reply of 25 January to him that the CAA had been made aware of the importance of developing a specification for their next requirement for radar or other equipment which would have sales prospects overseas and that she looked to the companies concerned to pursue this matter with the CAA. The Prime Minister has now heard from Lord Nelson that he has met Sir Nigel Foulkes to follow up her suggestion that the companies and the CAA should get together. The Prime Minister feels that she and the Secretaries of State for Industry and Trade have now gone into the issue of the CAA's present purchase of radars in considerable depth and she does not propose to re-open the matter.

I am sending copies of this letter to John Wiggins, Ian Ellison and Stuart Hampson.

T.L.A. WHITMORE

Sir Robert Armstrong, KCB CVO

1.

10 DOWNING STREET

PRIME MINISTER

Here is Michael Clark's response to your letter to his brother (Plessey's) about the Civil Aviation Radar.

Agree, as in the case of Lord Nelson, not to reply?

4 February 1980

E.R.

1.

PRIME MINISTER

Radars for the Civil Aviation Authority

You will wish to see the letter below (flag A) from Sir Robert Armstrong reporting a telephone conversation with Sir Arnold Weinstock about the saga of the CAA's choice of radars.

There is no doubt that Sir Arnold Weinstock has a point when he complains that the Government and nationalised industries often ask for the development of equipment to very high standards and then change their minds and buy foreign. It was with just this in mind that in your reply of 25 January to Lord Nelson you told him that the CAA had been made aware of the importance of developing a specification for their next requirement for radar or other equipment which would have sales prospects overseas and that you looked to the companies concerned to pursue this question with the CAA. At flag B is a copy of a letter from Lord Nelson to Sir Keith Joseph reporting that he has now met Sir Nigel Foulkes to follow up your suggestion that the companies and the CAA should get together.

You, Sir Keith Joseph and Mr Nott have now gone into the issue of the CAA's present purchase of radars in considerable depth, and I am sure that, notwithstanding what Sir Arnold Weinstock says, you will not wish to re-open the matter. Do you agree?

Agreed not

AWL.

1 February 1980

CF

PPS
R22

CHIEF EXECUTIVE OFFICE
MICHAEL CLARK C.B.E.
Deputy Chairman & Deputy Chief Executive

THE PLESSEY COMPANY LIMITED
MILLBANK TOWER · LONDON
SW1P 4QP

The Rt. Hon. Mrs. Margaret Thatcher, MP.,
10 Downing Street,
LONDON SW1.

31st January 1980

Dear Prime Minister

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

I am replying to your letter of 25th January addressed to my brother John, who is en route for Australia at this time.

Naturally, we are deeply disappointed at the news which Sir Keith Joseph gave us last week and we must place on record that we disagree with the CAA view; nevertheless we welcome the opportunity to discuss the details of the Authority's decision in as constructive a way as possible. We also look forward to further discussion on their future requirements.

May I take this opportunity to express sincere thanks to the Department of Industry whose Ministers, Sir Keith Joseph and Lord Trenchard so fairly examined and presented the case, as indeed did John Nott. We are also most grateful for the careful analysis our proposals received by the Ministry of Defence and Lord Strathcona in particular.

I cannot help reflecting however, that the concept of an American radar controlling the traffic at Heathrow, the main airport of the country that invented radar and has done such a wonderful job of developing it ever since, totally negates the great achievements and unparalleled reputation of the British radar industry in world markets. Can you imagine the French installing an American radar at Le Bourget or Charles de Gaulle ? Or the Americans installing a French radar at Kennedy ?

No, it seems to me that the UK is unique in the field of modern technology in that we alone in the company of America, France, Germany, Italy, and Japan are willing to support our competitors at our own expense.

...../2

TELEPHONE 01-834 9641
FACSIMILE 01-828 5889
TELEX 917530

Directors: Sir John Clark, Michael Clark CBE, W J Dalziel, P I Marshall, W J Sinsheimer (USA). Lord Brookes, F K Chorley, F J Fielding, A G Frame, G C Gaut CBE, Sir Raymond Pennock, D H Pitcher, T G P Rogers, Sir Francis Sandilands CBE.

Registered in England & Wales at Vicarage Lane, Ilford, Essex IG1 4AQ Number 203848

It is fully recognised that the vital issue of supporting British technology is a matter of great complexity bearing in mind the autonomy of authorities such as the MOD, CAA, Cable and Wireless, the CEGB, the British Post Office and so on who have been delegated monopoly use of Her Majesty's purchasing power in carrying out their individual mandates. In cases where their mandate does not co-incide with the overall interests of the Nation, the legal, economic and technical arguments must become immensely complex - if all sides of the argument are to be properly examined. I must observe from bitter experience that these arguments, so precious to us, are considered irrelevant in the minds of our competition who have one main objective which is to "buy French" or "buy American" in the interests of their national economies.

In closing, we ask not for feather bedding but merely for the same degree of support at home that is enjoyed by our great international competitors. Other similar cases involving far greater sums than this one will certainly be coming up over the next twelve to eighteen months and we only hope that the CAA experience will stand us all in good stead.

Yours sincerely,

Michael Beaumont

THE GENERAL ELECTRIC COMPANY LIMITED
1 STANHOPE GATE · LONDON W1A 1EH
01-493 8484

FROM THE CHAIRMAN

31st January 1980

Dear Mr Pattison,

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

I think the Prime Minister would like to see the attached letter, which I have today sent to Sir Keith Joseph on the above.

Yours sincerely,
Nelson of Stafford.

Encl.

M.A. Pattison, Esq.,
Private Secretary,
10 Downing Street,
London, SW1.

Seen by Mr P.M.
4/2

Copy sent to Sir N.Foulkes

c.c. Sir Robert Telford
Mr. J. Sutherland
Sir John Clark

31st January 1980

Dear Keith,

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

As promised at our meeting, Mr. Chorley and I called on Sir Nigel Foulkes and his colleagues at the CAA yesterday afternoon.

It was clear there was nothing we could do in relation to the CAA's decision to purchase the equipments for the five installations required for their Southern System. Sir Nigel said this decision was taken and there was no question of it being altered.

We had a long discussion on why, in spite of everybody apparently wishing to buy British, we had arrived at this situation and what might be done to mitigate the damage which this decision could do to the industry's future - in particular its export prospects. We naturally stressed the importance to overseas sales of having British equipment demonstrated as proven in service on our own home system and Sir Nigel recognised this. There was a general conclusion that the present situation could only be avoided in the future if, as in defence and other equipment, appropriate long-term equipment development and trial installation programmes were initiated at the right time. This had not happened in this case - hence the present situation.

In order to reduce to a minimum the damage of the announcement of a foreign purchase, Sir Nigel undertook that the CAA would emphasise that its decision was dictated by the short time factors involved and did not arise from a lack of confidence in the ability of the British industry to meet the needs of a modern air traffic control system. We asked that it should also be accompanied by a strong statement indicating an intention to purchase future equipments for the Northern System from British sources and that for this purpose CAA intended to install an initial equipment for testing and trials. Sir Nigel indicated to us that

2/.....

he saw the desirability of this and was prepared to see what might be done. He agreed that joint meetings between ourselves and the CAA take place immediately for this purpose and to produce some idea of the sums of money involved. He made clear to us, however, that we could not look to the CAA for the funding of such a programme.

I told Sir Nigel I would be letting you know the outcome of our talk and he agreed that I should mention to you this question of long-term funding of equipment development. I believe there is an important principle here, namely that to ensure that the equipment needs of a vital service such as air traffic control can be met from UK sources there must be a long-term development programme for the proving of suitable equipment. Appropriate funds would obviously have to be found for this and steps taken to ensure the equipment was suitable for both home and export markets. It is apparent that under the present financial arrangements the CAA, although intimately concerned with the specification and operational requirement, could not fund such a programme.

I believe this is something which should be examined immediately, possibly between the Department of Industry, the Ministry of Defence, the companies concerned and the CAA. If you agree this, could the DOI set up such study at an early date so that something can be established before the CAA announcement?

Yours ever,

GEORGE

The Rt.Hon. Sir Keith Joseph, MP.,
Secretary of State for Industry,
Department of Industry,
Ashdown House,
123 Victoria Street, London, SW1E 6RB.

MOD
IND

10 DOWNING STREET

From the Private Secretary

31 January 1980

I enclose Lord Nelson's response to the Prime Minister's letter of 25 January about the Civil Aviation Authority radar requirements.

I have sent a brief acknowledgement and the Prime Minister sees no need for a detailed response.

I am sending copies of this letter and enclosure to Ian Ellison (Department of Industry), David Jones (Lord Strathcona's Office, Ministry of Defence) and David Wright (Cabinet Office).

MAP

H.W. Bartlett, Esq.,
Department of Trade.

10 DOWNING STREET

Clive

The PM accepted the joint advice of KJ & JN: both had carefully researched the case starting from a strong pro-British instinct. They concluded that the problem lay in impossible relations between CAA and the Plessey side of the consortium. I am sure the PM will not wish to re-open.

2. I hear that CAA may yet settle for the Dutch option in preference to US, but will not buy British MAD 30/1

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

30th January, 1980

Ref. A01272

Dear Clive,

TPM.

Sir Arnold Weinstock rang this morning about the letter which Lord Nelson had sent to the Prime Minister about the Civil Aviation Authority's purchase of radars.

Sir Arnold Weinstock said in passing that the Prime Minister's letter had said that, because safety was involved, it was important to the CAA to have a system, the delivery of which could be guaranteed, and which had been proved in service. Sir Arnold Weinstock thought that the system that the CAA proposed to acquire met neither of these criteria.

The important question in Lord Nelson's letter, which he feared might have been obscured by the length of it, was how British manufacturers were to meet the requirement of "proof in service" if the British Government customer did not buy it. He had seen this experience over and over again. The British manufacturer developed a piece of equipment or a system to complicated and demanding specifications laid down by a British Government or nationalised industry purchaser. The specifications were such that no other purchaser would be interested in the product. The manufacturer designed the equipment or system to meet the specifications; and then the British purchaser changed his mind and said that he no longer had the money to pay for the no doubt admirable equipment developed by the British manufacturer, and would have to go overseas for something cheaper. When British manufaturers tried to sell their goods abroad, they were very handicapped if they had to admit that they were not able to sell them to their own Government at home. The important question, he repeated, was how British manufacturers of this sort of equipment were to be able to offer equipment which was "proved in service" to overseas customers, unless the relevant British authority was prepared to buy it.

I am sending copies of this letter to John Wiggins, Ian Ellison and Stuart Hampson.

Yours ever

Robert Armstrong

C.A. Whitmore, Esq.

2

10 DOWNING STREET

PRIME MINISTER

Here is Lord Nelson's response to your letter about the Civil Aviation radar.

In the circumstances, it is not an ungracious response, given the great disappointment which must have been felt over the Government's decision not to intervene.

I see no advantage in extending the correspondence.

29 January 1980

Aerospace

29 January 1980

I am writing on behalf of the Prime Minister to thank you for your further letter of 29 January about the Civil Aviation Authority's radar requirements.

I will of course bring this to her attention immediately.

M. A. PATTISON

Lord Nelson of Stafford

fc ~~Political Office~~
HMTT.

THE GENERAL ELECTRIC COMPANY LIMITED
1 STANHOPE GATE · LONDON W1A 1EH
01-493 8484

FROM THE CHAIRMAN

29th January 1980

Dear Prime Minister,

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

Thank you for your letter of January 25th regarding the above. May I first of all say we all very much appreciate the trouble you have taken to examine this problem since I first raised it with you in November. We are also very appreciative of the time and thought given to the matter by other Ministers.

The outcome of all these discussions, as conveyed to us personally by Sir Keith Joseph, is naturally a great disappointment. We find the CAA argument particularly disturbing, taking into consideration the findings, as we understand them, of the MOD team who examined our proposals. Today much of the ordering of high technology equipment is in the hands of monopoly state bodies and if they all take the CAA view that their responsibilities dictate the purchase of existing proven equipment, we can say goodbye to export and employment growth through high technology. No foreign customer is going to buy British unproven equipment, so I must ask you where is our equipment to be proven if not with our national customers?

I assure you that we, like the CAA, are ourselves very conscious of our responsibilities for the security and reliability of any air traffic control system which we install and I think this has been clearly demonstrated by the service which we have given to the CAA and to other organisations around the world. We have even on occasions helped the CAA to meet their responsibilities by taking extraordinary measures to meet particular needs when they arose - for example, our equiping of Sumburgh over a twenty-four week period to meet an unexpected build-up of air traffic in the Aberdeen area. It is in this context and with this knowledge that we pressed to be entrusted with this work.

2/.....

As promised to Sir Keith and as suggested in your letter, we have arranged to meet the CAA to see what can be done to mitigate the damage this decision will do to this sector of our industry.

Yours Sincerely

Nelson of Stafford.

The Rt.Hon. Mrs. Margaret Thatcher, MP.,
Prime Minister,
Downing Street,
London, SW1.

Aerospace cc BK

10 DOWNING STREET

THE PRIME MINISTER

25 January 1980

Dear Lord Nelson.

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

I am now able to send a substantive reply to your letter of 21 November 1979 and your further letter of 18 December.

The Government has given careful consideration to the issues raised in the case. On the one hand we do not wish the export prospects of the British heavy radar industry to be damaged by a procurement decision by a public authority in this country. On the other, we must respect the right of the Civil Aviation Authority to take a decision which is within its competence and for which it will be answerable to airlines and to the public who pay for its services.

Sir Keith Joseph and Mr John Nott have personally ensured that the Chairman of the Civil Aviation Authority was fully aware of the national interests which are involved in this case. Sir Nigel Foulkes has assured them that he and the other members of the Authority had been conscious of these interests, and would have preferred to order the equipment for the project in this country had they felt this to be consistent with their duty. I understand that Sir Keith Joseph has now informed you and Mr. Frank Chorley that the Government did not consider itself

/entitled to

JS

entitled to overrule the judgement of the Civil Aviation Authority on a matter of procurement which could have far-reaching effects upon the security of the air traffic control system in the period 1982-84, with all that that implies of delays to traffic and possible danger to aircraft in flight at the moment of a breakdown in service.

The Government is anxious to ensure that the Civil Aviation Authority's choice on this occasion of foreign-made equipment shall cause as little damage as possible to the reputation of the British industry; and that on the next occasion when primary radar or other equipment is wanted the industry shall be in the best possible position to secure the order. With the first of these objects in view arrangements are being made for the Authority's decision to be explained by reference to the particular nature of the technical requirements and the need to take advantage of existing proven equipment in order to replace the radars in south-east England as quickly as possible. As to the second, the Authority have been made aware of the importance of developing a specification for equipment which will have sales prospects overseas, and I look to the companies to pursue this question with the Authority.

Yours sincerely

Margaret Thatcher

Lord Nelson of Stafford

BM
cc MT

10 DOWNING STREET

THE PRIME MINISTER

25 January 1980

Dear Sir John.

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

Thank you for your letter of 17 January.

The Government has given careful consideration to the issues raised in the case. On the one hand we do not wish the export prospects of the British heavy radar industry to be damaged by a procurement decision by a public authority in this country. On the other, we must respect the right of the Civil Aviation Authority to take a decision which is within its competence and for which it will be answerable to airlines and to the public who pay for its services.

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JS

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Yours sincerely

Margaret Thatcher

Sir John Clark

3

PRIME MINISTER

You have yet to reply to letters from Lord Nelson and Sir John Clark about the Civil Aviation Authority Radar purchase. Sir Keith Joseph with Mr Tebbit will be seeing representatives of GEC and Plessey today, and I attach drafts for your signature which will follow up their personal explanation, if you are content with them.

Lord Nelson's two letters, with draft reply, are at Flag A, Sir John Clark's letter and draft at Flag B, and a note by departments summarising the issues is at Flag C.

MAP

24 January 1980

Aerospace

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

M Pattison Esq
Private Secretary
10 Downing Street
London, SW1

23 January 1980

Dear Mike,

CIVIL AVIATION AUTHORITY RADAR REQUIREMENTS

Thank you for your two letters to Stuart Hampson on 17 January concerning the CAA Radar Requirements.

.... I attach a draft letter for the Prime Minister to send to Lord Nelson and Sir John Clark after Sir Keith Joseph and Mr Tebbit have spoken to Lord Nelson and Mr Chorley on Thursday.

I enclose also background briefing material comprising:-

.... 1 a copy of section 28 of the Civil Aviation Act 1971;

.... 2 a copy of the directions given under section 28(2);

.... 3 a note prepared by officials for the two Secretaries of State before their meeting with Sir Nigel Foulkes;

.... 4 an extract from a brief prepared for Mr Nott.

Enclosure Number 3 is agreed common ground and with the extra detail from Number 4 should enable general enquiries to be answered. Specific enquiries on the effect upon British industry would probably be best referred to the Department of Industry.

The money to pay for the CAA's share of the project (still to be determined but probably 70%) comes ultimately from users of air transport, through navigation service charges. The CAA have not yet settled terms with Westinghouse for all aspects of the procurement.

I am copying this letter and enclosures to Ian Ellison (Department of Industry) and David Omand (Ministry of Defence).

Yours Sincerely

Hugh Bartlett

H W BARTLETT
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Lord Nelson of Stafford
The General Electric Company
1 Stanhope Gate
London, W1A 1EH

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

I am now able to send a substantive reply to your letter of 21 November 1979 and your further letter of 18 December.

The Government has given careful consideration to the issues raised in the case. On the one hand we do not wish the export prospects of the British heavy radar industry to be damaged by a procurement decision by a public authority in this country. On the other, we must respect the right of the Civil Aviation Authority to take a decision which is within its competence and for which it will be answerable to airlines and to the public who pay for its services.

Sir Keith Joseph and Mr John Nott have personally ensured that the Chairman of the Civil Aviation Authority was fully aware of the national interests which are involved in this case. Sir Nigel Foulkes has assured them that he and the other members of the Authority had been conscious of these interests, and would have preferred to order the equipment for the project in this country had they felt this to be consistent with their duty. I understand that Sir Keith Joseph has now informed you and Mr Frank Chorley that the Government did not consider itself entitled to overrule the judgement of the Civil Aviation Authority on a matter of procurement which could have far-reaching effects upon the security of the air traffic control system in the period 1982-84, with all that that implies of delays to traffic and possible danger to aircraft in flight at the moment of a breakdown in service.

The Government is anxious to ensure that the Civil Aviation Authority's choice on this occasion of foreign-made equipment shall cause as little damage as possible to the reputation of the British industry; and that on the next occasion when primary radar or other equipment is wanted the industry shall be in the best possible position to secure the order. With the first of these objects in view arrangements are being made for the Authority's decision to be explained by reference to the particular nature of the technical requirements and the need to take advantage of existing proven equipment in order to replace the radars in south-east England as quickly as possible. As to the second, the Authority have been made aware of the importance of developing a specification for equipment which will have sales prospects overseas, and I look to the companies to pursue this question with the Authority.

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Sir John Clark
The Plessey Company
Millbank Tower
London, SW1P 4QP

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

Thank you for your letter of 17 January.

The Government has given careful consideration to the issues raised in the case. On the one hand we do not wish the export prospects of the British heavy radar industry to be damaged by a procurement decision by a public authority in this country. On the other, we must respect the right of the Civil Aviation Authority to take a decision which is within its competence and for which it will be answerable to airlines and to the public who pay for its services.

Sir Keith Joseph and Mr John Nott have personally ensured that the Chairman of the Civil Aviation Authority was fully aware of the national interests which are involved in this case. Sir Nigel Foulkes has assured them that he and the other members of the Authority had been conscious of these interests, and would have preferred to order the equipment for the project in this country had they felt this to be consistent with their duty. I understand that Sir Keith Joseph has now informed you and Lord Nelson that the Government did not consider itself entitled to overrule the judgement of the Civil Aviation Authority on a matter of procurement which could have far-reaching effects upon the security of the air traffic control system in the period 1982-84, with all that that implies of delays to traffic and possible danger to aircraft in flight at the moment of a breakdown in service.

The Government is anxious to ensure that the Civil Aviation Authority's choice on this occasion of foreign-made equipment shall cause as little damage as possible to the reputation of the British industry; and that on the next occasion when primary radar or other equipment is wanted the industry shall be in the best possible position to secure the order. With the first of these objects in view arrangements are being made for the Authority's decision to be explained by reference to the particular nature of the technical requirements and the need to take advantage of existing proven equipment in order to replace the radars in south-east England as quickly as possible. As to the second, the Authority have been made aware of the importance of developing a specification for equipment which will have sales prospects overseas, and I look to the companies to pursue this question with the Authority.

PART II

(2) It shall be the duty of the Authority to join with the Secretary of State, in such manner as may be specified in directions given to the Authority by the Secretary of State,—

(*a*) in providing such air navigation services in respect of such areas (whether in the United Kingdom or elsewhere) as may be specified in the directions; and

(*b*) in defraying the cost of providing the services so specified; and

(*c*) without prejudice to the generality of the preceding paragraph, in discharging any liability to a third party which is incurred by the Authority and the Secretary of State or either of them in providing the services so specified.

(3) Without prejudice to any right of action in respect of an act or omission which takes place in the course of providing air navigation services in pursuance of this section, no action shall lie in respect of a failure by the Authority to perform the duty imposed on it by subsection (1) or subsection (2) of this section.

Regulation of

(*d*) the provision and operation of approach and aerodrome control services at such civil aerodromes as may be determined by the Authority, and dealing with such matters relating to those services at Ministry of Defence airfields as may be agreed with the Secretary of State for Defence;

(*e*) in consultation with all interested users advising on air traffic control aspects of establishing danger, restricted or special flying areas with a view to ensuring the efficient use of the UK ATC airspace;

(*f*) advising the Secretary of State for Defence and the Secretary of State for Trade on the air traffic control aspects of any proposals to establish new or reactivate disused civil and military aerodromes and on problems connected with aerodrome traffic patterns on which advice is sought.

7. The Authority shall assist the Air Traffic Control Board appointed by the Secretary of State for Defence and the Secretary of State for Trade in any review of the services which the Board may from time to time carry out and may refer to the Air Traffic Control Board for advice any questions of special difficulty arising between NATS and operators of aircraft or organisations representative of operators of aircraft, which cannot be resolved in discussion.

8. The Authority shall not make any major changes in the structure, organisation and manning arrangements of any part of NATS which is staffed in whole or in part by persons designated for that purpose by the Secretary of State for Defence except with the consent of the Secretary of State for Defence. Appointments to the posts of Controller, Deputy Controller and Joint Field Commander shall be made jointly by the Authority and the Secretary of State for Defence and before the appointment of any person to be Controller the Authority shall obtain the consent of the Secretary of State for Trade.

9. The cost-sharing arrangements existing between the Secretary of State for Trade and the Secretary of State for Defence before 1 March 1976 shall apply between the Authority and the Secretary of State for Defence until otherwise mutually agreed. Where a facility or service, the cost of which is not taken into account in the existing cost-sharing arrangements, is to be provided on a cost-sharing basis through NATS, the cost, except the cost of discharging any liability to a third party incurred in the course of providing such facility or service, shall be borne proportionately by the Authority and the Secretary of State for Defence having regard to the extent to which the facility or service is expected to be used by civil and military aircraft respectively. The proportions shall be agreed between the Authority and the Secretary of State for Defence before the decision to provide the facility or service is taken and shall be reviewed by the parties from time to time in the light of any change in the expected use of the facility or service.

Where the Authority and the Secretary of State for Defence agree that the cost of a facility or service provided through NATS is to be wholly borne by the Authority or the Secretary of State for Defence, and that cost is not taken into account in cost-sharing arrangements, the Authority or, as the case may be, the Secretary of State for Defence may raise a fully economic charge on the other party for any use made of that facility or service by military or, as the case may be, civil aircraft, unless, in the particular case, a charge is raised against some other person.

10. Any disagreements between the Authority and the Secretary of State for Defence which cannot be resolved in discussion shall be referred by the Authority to the Secretary of State for Trade for consideration in consultation with the Secretary of State for Defence.

Peter Shore,
Secretary of State for Trade.

Roy Mason,
Secretary of State for Defence.

9 February 1976

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ANNEX B

Civil Aviation Act 1971

Directions to the Civil Aviation Authority under Section 28(2)

The Secretary of State in exercise of his powers under Section 28(2) of the Civil Aviation Act 1971 (hereinafter called 'the Act') hereby gives the following Directions to the Civil Aviation Authority (hereinafter called 'the Authority').

1. These Directions may be cited as the Civil Aviation Authority (Air Navigation Services) Directions 1976, and shall come into operation on 1 March 1976. The Civil Aviation Authority (Air Navigation Services) Directions 1972 are hereby revoked.

2. The Authority shall join with the Secretary of State for Defence in relation to the matters specified in Section 28(2)(*a*) and (*b*) of the Act in the manner specified in the following paragraphs.

3. The Authority shall collaborate with the Secretary of State for Defence in exercising its functions in providing air navigation services through a joint organisation known as the National Air Traffic Services (hereinafter referred to as 'NATS'). NATS shall be manned jointly by civilian staff of the Authority and by personnel of the Services and civilian staff to be made available by the Secretary of State for Defence, and shall make use of civil and military facilities and installations as appropriate. The senior officer of NATS shall be known as the Controller, his deputy as the Deputy Controller, and the officer in charge of operations in the field as the Joint Field Commander.

4. The services provided through NATS shall be available to all classes of civil and military aircraft both within the UK national airspace and within any airspace for which the UK has in pursuance of international arrangements undertaken to provide such services (hereinafter referred to as 'the UK ATC airspace').

5. The services provided through NATS shall be planned, provided and operated so as to secure the safe operation of aircraft. Subject to this and the other requirements of flight safety, and having regard to costs, the planning, provision and operation of the services shall take full account of:

(i) the need to maintain the most expeditious flow of air traffic as a whole consistent with the optimum utilisation of individual aircraft;

(ii) the environmental impact of civil aircraft operations and in particular the disturbance to the public arising from aircraft noise, vibration and pollution.

The services shall be operated in such a way as to reconcile the differing civil and military air traffic operational needs in order to assist efficient and economic operations by civil aircraft, while having full regard to the operational and training requirements of military aircraft, but without according preferential treatment to either civil or military users as such. In the planning of airspace arrangements, the requirements of all air user interests, including general aviation, shall be taken into account.

6. The functions exercised jointly through NATS shall include:

(*a*) subject to the provisions of sub-paragraph (*c*) of this paragraph the provision of services within the UK ATC airspace and the taking of decisions as to the nature and scale of such services in consultation with the users as necessary and taking into account the cost of the services and the means of recovering that cost;

(*b*) ensuring that the relevant international agreements binding on the United Kingdom are observed where applicable and in any case of doubt as to the interpretation of such agreements seeking the advice of the appropriate Secretary of State thereon;

(*c*) the provision of services to aircraft in the upper airspace to enable the Secretary of State to discharge his obligations under the contracts concluded from time to time between the Secretary of State and the European Organisation for the Safety of Air Navigation (Eurocontrol);

37A

NATS RADAR REPLACEMENT PROGRAMME

Note by officials

The National Air Traffic Services (NATS) wishes to procure long range radar equipment from Westinghouse and AEG to replace its existing (20 year old) primary radars. The total project value is ca £28m, about £18m of which will be for equipment. Of this about £10m is for the Westinghouse equipment. The dispute concerns the £10m.

Background

2 The CAA opened discussions with Plessey and Marconi separately in 1974 with a view to establishing a specification. In mid-1978, CAA formally invited UK industry to bid to supply the equipment. Plessey/Marconi responded jointly and were the only bidder. Plessey/Marconi's response was not acceptable to the CAA. Subsequently, in early 1979, the CAA invited a second tender from Plessey/Marconi and this time included selected foreign suppliers. In addition to Plessey Marconi, bids were received from Westinghouse, AEG, Hollandse SA and Thomson-CSF. The four foreign companies submitted non-compliant bids. Plessey/Marconi offered a number of options, which boiled down effectively to two, one meeting virtually all of the NATS' stated requirements for approximately £20m; the other with an acceptable performance for ca £18m. The foreign bids were around £3-5m lower than the Plessey/Marconi second option; in addition AEG and Westinghouse offered significantly shorter delivery times. This reflects the fact that for the most part they were bidding equipment already developed with Government support or procurement orders.

3 The CAA concluded that on grounds of costs and delivery dates the UK bids were not acceptable, although they accept that the equipment would potentially offer an acceptable performance and that some parts of it could in due course, and at a cost, be upgraded to meet their original specification.

The timing

4 The dates specified by the CAA to the companies for technical completion, those which the CAA say (confidentially) they will accept, those offered by Plessey/Marconi (using the AEG aerial), those which Ministry of Defence think Plessey/Marconi can in fact achieve, and those offered by Westinghouse are given below.

The MoD dates in col 4 make allowance for the fact that some parts of the equipment still have to be developed. The CAA are sceptical. No assessment has been made by MoD of the Westinghouse bid.

	1 CAA spec.	2 CAA acceptable	3 Plessey/ Marconi bid	4 MoD assessment	5 Westinghouse bi
Debden	March 81	March 82	January 82	Sept 82	August 81
Garrowby	Sept 81	March 82	March 82	Nov 82	September 81
Heathrow	March 82	April 82	October 82	June 83	October 81
Sussex	-	-	-	-	-
	(timing not critical though important to preserve continuity of installation)				
Wash	-	-	-	-	-

"Technical completion" means the date on which the suppliers undertake to have the equipment installed, commissioned and ready to hand over. The dates quoted above have in fact now to be adjusted to allow for the delay in letting the contract and consequently in the preparation of the infrastructure. The CAA estimate that allowing for this the Plessey/Marconi and Westinghouse dates would be as follows:

Col 3A Plessey/Marconi	Col 5A Westinghouse
May 82	Feb 82
October 82	June 82
October 82	March 82

This may result in delays beyond the dates in col 4 attributable to Debden and Garrowby.

5 The Ministry of Defence and Department of Industry argue that the CAA's deadlines could be extended by two years since MoD and CAA have recently decided to extend the life of certain existing radars for two years beyond 1982, when it had been assumed they would be phased out. The CAA, however, still stick to the 1982 dates, in order to implement in 1983 the first stage of the development of the London Air Traffic Control Centre with which the new installations are linked.

The price

6 The Plessey/Marconi bid for the relevant equipment would cost £2.2m more than Westinghouse's; with allowance made for the effect of the differing price variation clauses, the difference could rise to £3.5m. The Department of Industry for industrial policy reasons is prepared to ensure - by paying and putting pressure on Plessey/Marconi - that the CAA is not financially penalised.

The Industry's complaint

7 Plessey/Marconi argue that they were disadvantaged during the

second competition because during the previous five years the CAA had insisted on full compliance. The CAA say that in the first tender the emphasis was certainly on compliance, though variations were not ruled out; that the second tender specifically allowed non-compliant proposals; and that Plessey/Marconi's disadvantage arose from their having done no real development work during the five year period.

The export position

8 The accessible potential export business for air traffic control radar over the next five years is assessed at £800m. At present UK industry sells £100m worth of radar equipment a year most of which comes from Plessey/Marconi. Most of the £800m will go on joint military/civil radar. Such equipment will not in the main be the same as that at issue here, though there will be some parts in common. The damage to Plessey/Marconi lies not in the loss of sales of this particular radar but in the effect on their international reputation of failing to get a contract from a UK public authority. The avionics manufacturing world is highly nationalist, but just what the loss of this contract will mean in money terms is a matter of judgment.

The proposals

The radar replacement programme for east and south east England is a large project with an estimated total cost at 1979 prices of £27,500,000. Of this total £18 millions is for equipment - including a number of secondary surveillance radars which the CAA has already decided to buy from Cossor Electronics. The primary radar system will comprise the following main elements:-

6 aerials and turning gear	from AEG	£2.5m + VAT = 2.9m
11 transmitter-receivers associated signal processors and plot combiners	from Westinghouse	£8.2m + VAT = 9.4m
6 radar site control & monitoring systems	from Marconi	£1.2m + VAT = 1.4m

(The £8.2m includes £0.9m import duty)

To buy the transmitter-receivers, signal processors and plot combiners from Plessey-Marconi, would cost £2.2 millions more; and with allowance for the effect of price variation clauses, some £3.5 millions more. Delivery would be later as well.

Why do the CAA prefer Westinghouse to Plessey-Marconi as suppliers of the bulk of the equipment?

Westinghouse offer equipment which has been developed and brought into service. Although this will have to be integrated with the AEG aerial, the CAA consider that Westinghouse's forecast of when the equipment will be installed and ready for hand-over can be regarded with confidence.

Plessey and Marconi offer equipment some of which has yet to be developed, and which has never been brought into service as a complete system. Not only are their dates for hand-over later than Westinghouse's; there is a risk that development will take longer than forecast. The MoD report does not quantify the risk of delay due to unforeseen difficulties.

CONFIDENTIAL

MAP

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/Secretary of State for Industry

22 January 1980

Stuart Hampson Esq
Private Secretary to the
Secretary of State for Trade
Department of Trade
1 Victoria Street
London SW1

Dear Stuart

NATS RADAR REPLACEMENT PROGRAMME

Mike Pattison wrote to you on 17 January to say the Prime Minister had reluctantly agreed that the Government should not intervene further in the CAA procurement decision. My Secretary of State together with Mr Tebbit, proposes to meet Lord Nelson and Frank Chorley (in the absence of Sir John Clarke abroad) on 24 January when he intends to explain the Government's position to them. This will, of course, still leave it open to Plessey and Marconi themselves to make a final attempt to convince the CAA of the merits of their case should they so wish.

Lord Nelson followed up his letter of 21 November to the Prime Minister, in which he complained of unequal treatment for the two UK companies in the tendering process, with a further letter on 18 December. No substantive reply has been sent to this second letter and Pattison has asked for a draft. In view of the meeting which my Secretary of State and Mr Tebbit are to hold this week it is not really appropriate to send such a reply to Lord Nelson in advance of the meeting.

I understand that Hilary Whitaker and John Thynne are already in touch about the preparation of agreed background material which will enable the Prime Minister to deal with parliamentary and other enquiries about this case.

I am copying this letter to Mike Pattison at No 10.

Yours sincerely
Catherine Bell
CATHERINE BELL
Private Secretary

B/F 22-180

DS

10 DOWNING STREET

From the Private Secretary

17 January 1980

I wrote to you earlier today about the decision reached this morning on the Government's attitude to the National Air Traffic Services Radar Replacement Programme.

I now enclose a copy of a letter to the Prime Minister from Sir John Clark. I would be grateful if you could arrange for a draft reply to this letter to reach us at the same time as the draft reply to Lord Nelson.

I am sending a copy of this letter and enclosure to Ian Ellison (Department of Industry) and David Jones (Ministry of Defence).

M. A. PATTISON

Stuart Hampson, Esq.,
Department of Trade

DS

10 DOWNING STREET

From the Private Secretary

17 January 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 17 January, about the radar requirements of the Civil Aviation Authority.

I will of course bring this to the Prime Minister's attention at once, and a reply will be sent to you as soon as possible.

M. A. PATTISON

Sir John Clark

10 DOWNING STREET

PRIME MINISTER

Sir John Clark has now joined Lord Nelson in making representations to you about the CAA radar purchase.

I have asked Sir Keith Joseph's office to let you have a draft reply to this one as well as to Lord Nelson's.

17 January 1980

OFFICE OF THE CHAIRMAN
AND CHIEF EXECUTIVE
SIR JOHN CLARK

THE PLESSEY COMPANY LIMITED
MILLBANK TOWER · LONDON
SW1P 4QP

17th January, 1980.

The Rt. Hon. Mrs. Margaret Thatcher M.P.,
10 Downing Street,
London, S.W.1

Dear Prime Minister,

CIVIL AVIATION AUTHORITY - Radar Requirements

Lord Nelson has already written to you on the subject of replacement radars for the Civil Aviation Authority. I believe this to be a matter of such critical importance to the well being of British, high-technology, industry that I must add my own point of view.

While the CAA decision is important in its own right, the precedent which it will establish if a foreign purchase is made, will be even more far reaching. We have seen, over the past few years a steady erosion of Britain's position in a number of important export markets and, so far as the electronics industry is concerned, we are beginning to suffer increasingly from competition by American companies who not only enjoy a significant currency advantage now, but are strongly supported by major government procurement programmes. Access to these programmes, particularly where they are seen to be of strategic importance to the United States, is not extended to foreign suppliers - regardless of the "two way street".

The outcome of this is that US suppliers are able to offer highly competitive bids in world markets without risk of

TELEPHONE 01-834 9641
FACSIMILE 01-828 5889
TELEX 917530

Directors: Sir John Clark, Michael Clark CBE, W J Dalziel, P I Marshall, W J Sinsheimer (USA). Lord Brookes, F K Chorley, F J Fielding, A G Frame, G C Gaut CBE, Sir Raymond Pennock, D H Pitcher, T G P Rogers, Sir Francis Sandilands CBE.

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competition in their home market from UK companies. It is inconceivable that the US Federal Aviation Authority would consider the purchase of British radars, however good their performance, to meet its requirements. Indeed, no British company was even invited to tender for the ARSR3 development against which the Westinghouse equipment, currently on offer to the Civil Aviation Authority was developed. The full development cost of this equipment was directly funded by the FAA and some 27 radars subsequently purchased.

From the UK industry's point of view, the most damaging aspect of a decision to purchase a foreign equipment to meet UK government strategic requirements is the effect on overseas customers' confidence in our competence and capability. We are currently bidding against Westinghouse in Qatar where we believe our competitive position to be good. It is our understanding, however, that the British Ambassador has recently signalled his concern that Westinghouse are claiming in the territory that the UK government themselves now prefer Westinghouse equipment to either Plessey or Marconi.

Other major UK procurement programmes for military radar are in the course of consideration and these also must be seen to be at risk from American competition. An adverse decision, based upon short term price advantages, could have an even greater damaging effect upon our export credibility. The radar industry has exported more than £250M worth of equipment during the past three years and its order book now stands at £300M. It is difficult to believe that your Government would wish to put this significant and expanding source of UK wealth at risk.

Apart from this, the continuing success of high-technology companies must be an important source of medium and long term employment in the United Kingdom. In addition, they encourage the development of the engineering and production skills which Great Britain so badly

needs for its future prosperity. For all these reasons, I most strongly advocate decisions in respect of these important purchases which fully reflect the overall needs of the British economy - as indeed is the practice amongst our great international competitors, the French, Germans, Americans and Japanese. We must not be put at major disadvantage amongst them.

Sincerely

John Cook.

CONFIDENTIAL

Subject - Aerospace

10 DOWNING STREET

c. Chief Sec, HMT
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MofS, MOD
CO
copy to master Set

From the Private Secretary

B/F 22-1-80

17 January 1980

Dear Stuart

Your Secretary of State, accompanied by the Secretary of State for Industry and Lord Strathcona, this morning discussed with the Prime Minister the National Air Traffic Services Radar Replacement Programme. The Prime Minister expressed her concern that the Government should support British industry wherever reasonable. She nevertheless accepted that the Civil Aviation Authority were firmly opposed to purchasing equipment through Plessey in this case. Your Secretary of State emphasised that, even if the Government refused loan sanction for a purchase from Westinghouse, they would then be faced with a request for loan sanction for CAA's second option, Dutch equipment.

The Prime Minister reluctantly agreed that the Government should not intervene further in the CAA procurement decision. She said that the decision taken would need to be explained on the grounds of safety requirements, and the need to take advantage of existing proven equipment in order to complete the replacement programme as quickly as possible.

The Prime Minister still owes Lord Nelson of Stafford a substantive reply to his complaints about the handling of the CAA requirements. I would be grateful if you could now arrange for a suitable reply to be prepared as quickly as possible, together with background material which will enable the Prime Minister to deal with parliamentary and other enquiries about the Government's attitude in this case.

I am sending copies of this letter to Ian Ellison (Department of Industry), David Jones (Ministry of Defence) and to the Private Secretaries to other members of E(EA) and Martin Vile (Cabinet Office).

Yours sincerely

Mike Pattison

Stuart Hampson, Esq.,
Department of Trade

CONFIDENTIAL

CONFIDENTIAL

Subject.

Copied to Master Set - Aerospace

RECORD OF A MEETING HELD AT 10 DOWNING STREET AT 0900 HOURS ON THURSDAY 17 JANUARY TO DISCUSS THE NATIONAL AIR TRAFFIC SERVICES RADAR REPLACEMENT PROGRAMME

Present: Prime Minister
Secretary of State for Industry
Secretary of State for Trade
Minister of State for Defence (Lord Strathcona)
Mr. M. Pattison

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The Prime Minister said that it was time for the British Government to follow the practice of other Governments, and support its own industry in cases like the Radar Replacement Programme. Her colleagues would be aware of her correspondence with Lord Nelson on the subject. She was informed that the British equipment which would be offered was not inferior in performance. She understood the anger of the potential British suppliers over their work on a complex specification during the past four years, which proved wasted when CAA decided to buy off-the-shelf equipment.

Sir Keith Joseph said that he and Mr. Nott had started from the same position as the Prime Minister. This was why they had spent so much time on the problem. Two things had become apparent. First, Plessey/Marconi had not spent the four years in which they were treated as a single tenderer to best advantage. Secondly, the relationship between CAA and the company now made an effective working relationship impossible; even though the British consortium had the capacity to produce first class equipment within the timescale, the current working relationship made it doubtful whether this could happen. CAA could quote significant examples of failures by Plessey in this field. Whilst this was not true of GEC, Plessey were in the lead in this contract. Mr. Nott explained that although the Government could refuse loan sanction, CAA's second option would be for Dutch equipment, and the Government would have to refuse loan sanction a second time. Plessey's international reputation could be damaged quite as much if its equipment were forced on CAA in this way as if CAA simply bought elsewhere.

/About £10m. worth

CONFIDENTIAL

About £10m. worth of a £30m. package was involved in this particular contract. The major part of the package would still go to British suppliers. Lord Strathcona emphasised that there was still a dispute as to whether the British consortium could produce equipment to the required standard. Sir Nigel Foulkes of CAA would not accept that British industry had the capacity. The assessment in which the Ministry of Defence had taken part had concluded that it was possible.

The Prime Minister commented that CAA were hardly in a position to criticise the capacity of others when their own performance was far from perfect. Mr. Nott recalled that he had already been critical of CAA performance to Sir Nigel Foulkes. Sir Nigel was taking steps to improve matters, and, having been in office for only eighteen months, could not personally be blamed for earlier failures. Mr. Nott emphasised that there were uncertainties about the capacity of British industry, and that CAA would clearly not budge from their position. Plessey would undoubtedly suffer some damage if they did not obtain the order, but this would not be as significant as Sir John Clarke was suggesting. He and Sir Keith Joseph were attempting to have the issue handled in a way which would minimise the damage to Plessey when CAA bought the American equipment. Unfortunately, Plessey's own efforts to dramatise the issue, illustrated by articles in the previous day's Times and Financial Times, seemed likely to undermine this strategy. Lord Strathcona said that there were already indications of repercussions for Plessey. In the case of a potential contract in Qatar, for example, competitors were drawing attention to Plessey's problems over selling to CAA.

Sir Keith Joseph said that he and Mr. Nott would individually see Lord Nelson to explain the Government's conclusion. He commented that if more effective working relationships had been developed some years earlier the Government could have prodded Plessey into positive action at an earlier stage. The forthcoming paper on purchasing policy would propose arrangements to ensure early warning of public sector procurement possibilities, to avoid a recurrence of this kind of situation.

/Mr. Nott stressed

Mr. Nott stressed that he personally had approached this problem from the point of view of the requirements of British industry, despite his departmental responsibility for CAA. He had reached his conclusion reluctantly.

The Prime Minister concluded that CAA should be allowed to go ahead with procurement from Westinghouse, and that the matter would not require further discussion in a Cabinet Committee. She asked the Secretaries of State for Trade and Industry to provide her with the necessary background material to explain the Government's position. The public explanation would need to concentrate on the safety risk of rejecting the option of purchasing existing equipment in favour of equipment which did not yet exist.

The meeting concluded at 0930 hours.

Extract from The Times

dated 16 January 1980

Plessey fear on buying policies

By Kenneth Owen
Technology Editor

Short-term ordering decisions by individual government departments and agencies may threaten the future export prospects of British electronics companies, Mr Frank Chorley, managing director of Plessey Electronic Systems, said yesterday.

Speaking in London, Mr Chorley said that the danger was that orders might be placed with foreign companies which would offer the cheapest immediate solution but which would damage the credibility of UK companies in export markets generally.

The wider implications of contract awards, including the effect on employment in United Kingdom companies over the next 10 years, should be considered before decisions were taken, he argued.

Mr Chorley's general argument was based on his view of three current public-sector orders for which Plessey Radar is bidding. One is for 10 radars, worth between £10m and £20m, for air traffic control in eastern and south-eastern England.

According to Mr Chorley, the favoured company to get this order is Westinghouse of the United States, which has put in a bid at a "very competitive price". The specification laid down by the Civil Aviation Authority was a very difficult one, he added.

Plessey and GEC-Marconi had collaborated to put in a joint bid for the air traffic control order. If this order went to a foreign company it would damage the credibility of the UK radar companies quite generally, despite the fact that this was a very specialized application.

A possible immediate advantage to the Civil Aviation Authority of perhaps £2m would put at risk overseas orders worth £200m a year for Plessey and Marconi in the future.

Secondly, a substantial series of orders for Nato radars, for between 60 and 70 units, included a first order which would be for a station in the United Kingdom.

The Ministry of Defence had opted for Nato funding for this and other radars, and since the bidding was now subject to the open-tendering rules of Nato the danger was that if this first station went to a foreign company the prospects for United Kingdom firms in later bidding would again be jeopardized.

Thirdly, there was the United Kingdom radar network known as UKADGE (United Kingdom Air Defence Ground Environment), where a similar situation existed—although in this case the Plessey and Marconi companies were associated with the American Hughes organization.

The Civil Aviation Authority said last night that a decision was expected shortly on the choice of contractor for the air traffic control radar equipment. Tenders had been invited and received from companies in Britain, continental Europe and the United States.

The decision to go out to international tender, a CAA spokesman said, was taken last year after separate bids by Plessey and by Marconi had been judged unacceptable.

Extract from the Financial Times

dated 16 January 1980.

Plessey and Marconi fears on radar bid

BY GUY DE JONQUIERES

PLESSEY and Marconi risk losing potential export orders worth between £200m and £400m over the next few years if the UK Civil Aviation Authority does not accept their joint bid to supply a new on-route radar system, a senior Plessey executive warned yesterday.

Mr. Frank Chorley, deputy chairman and managing director of Plessey Electronics Systems, said that loss of the contract would deprive the companies of overseas sales of similar systems and undermine their efforts to sell other, less sophisticated, air traffic control equipment abroad.

Plessey apparently fears that the contract, worth up to £20m, is likely to be awarded to Westinghouse Electric of the U.S., believed to be the only other bidder. The authority is expected to announce its decision shortly.

Mr. Chorley said that he believed that the rival bid did not meet the specifications laid down by the authority. He suggested that its chief appeal lay in its price which, he claimed, was about £2m lower than the bid submitted by Plessey and Marconi.

The contract is for a replacement on-route radar system for tracking civil aircraft movements which would also provide radar coverage as far as the air terminal. It will be linked to the planned UK Air Defence Ground Environment system, for which Plessey is also bidding jointly with Marconi and Hughes of the U.S.

Mr. Chorley indicated that his efforts to convince the CAA and Government departments of his case had not so far succeeded, because no one in authority was in a position to take a comprehensive view.

What was needed was a national "over-riding authority" to ensure that in such cases contracts were not awarded simply on the basis of cost but also took account of UK companies' business strategies and export prospects.

He did not describe how such an authority might operate in practice, though it need not go so far as designating specific companies to undertake given contracts.

In the U.S., France and Japan there were procedures to make certain that the interests of domestic companies bidding for public contracts were taken into consideration. This should also happen in Britain.

Mr. Chorley said that if Plessey did not win the contract the credibility of its efforts to sell other systems overseas would be undermined because foreign purchasers would be suspicious of its failure to sell its equipment in the UK.

PRIME MINISTER

You are seeing Sir Keith Joseph, John Nott and Lord Strathcona at 0900 tomorrow about CAA radar procurement.

I understand that Sir Keith and John Nott have now agreed that CAA should be allowed to go ahead with the procurement of American equipment. Although Sir Keith and Lord Strathcona have been torn between non-intervention and UK industry interests, all three had a further talk with Sir Nigel Foulkes who made it clear that CAA are determined to avoid being pushed into purchasing the British equipment, for what they consider to be very good reasons.

The issues are well summarised in the attached (Flag A) note from Sir Robert Armstrong. He suggests that the final decision ought to be taken in E, given the range of interests which it affects. (I understand that John Biffen also concurs with the judgement of Mr. Nott and Sir Keith.)

Flag B is the record of the discussion between Ministers and Sir Nigel Foulkes, setting out the CAA's vehement objections to procuring from the Plessey/Marconi consortium. Below that paper, I attach extracts from the Financial Times and the Times today: these show that Plessey intend to ensure that there is plenty of public fuss about any CAA decision to buy the equipment from abroad.

16 January 1980

Ref: A01157

PRIME MINISTER

NATS Radar Replacement Programme

BACKGROUND

The National Air Traffic Services (NATS) wishes to procure long-range radar equipment to replace its existing primary radars. The Civil Aviation Authority (CAA) decided to order over half the equipment from abroad - the United States and Germany. The only British bid is from Plessey-Marconi, and initially it seemed to have three disadvantages:-

It was more expensive;
It was not fully developed and so might have technical problems;
It might therefore be later in delivery.

All these have subsequently been challenged by action from Department of Industry and Ministry of Defence.

2. The importance of the deal is not its intrinsic value, but the fact that no foreign country is likely to purchase radar from Plessey-Marconi, if they cannot obtain the confidence of the home purchaser. No major radar system has ever been ordered abroad, by a country which has a home industry.

3. The CAA do not have a responsibility for maintaining the health of British industry, and from their point of view the safe foreign order may appear the right decision. But should they be allowed to make it? The issues were discussed in E(EA) (E(EA)(80)1st meeting - item 2) and it was agreed that Sir Keith Joseph and Mr Nott should see the Chairman of the CAA (Sir Nigel Foulkes), to emphasise to him the wider political considerations. Your meeting is to bring you up-to-date with the outcome of that discussion. We have not yet seen a record of the meeting, but it seems that the CAA are unwilling to alter their view.

4. The key issue to establish is the reason for their view. The Department of Industry are willing to support Plessey-Marconi, so as to eliminate any price advantage for the foreign competition. The RAF have decided to extend the life of their radar, so that any time delay in the Plessey-Marconi system is no longer an important factor. The Ministry of Defence, who have appraised the Plessey-Marconi bid, are confident that technically it does not fall short of foreign competition, and indeed, because it has scope for development, it may be technically superior.

5. The arguments against intervening in the CAA decision are that it is wrong to intervene in nationalised industry management, and if they are forced by Government to take a decision, this will become publicly known, and will still be damaging to the sales prospect of Plessey-Marconi equipment. But against that the CAA are placing an order which they will not repeat for another 20 years. Their commercial judgement does not and need not take account of all the national factors. It would be appropriate for the Government to impose a decision, provided the system is not inferior, in CAA's own terms, to the competitor. As noted above, on the evidence available, it does not seem to be inferior.

6. Mr Nott may argue that the CAA are independent, and he cannot direct them on what to do. But the CAA must obtain loan sanction for the system. He therefore has a power of veto, since he can make it clear that he will give loan sanction only for the Plessey-Marconi system. He could justify that on the grounds that the Plessey-Marconi bid has no commercial or technical disadvantages, and the national interest requires that the United Kingdom, like all other radar-producing countries, should support its own industry.

7. Sir Keith Joseph's position is less clear-cut. On the one hand, he is instinctively likely to side with Mr Nott over non-intervention in the commercial judgement of CAA. On the other, he has the 'sponsorship' responsibility for the electronics industry, and is under pressure from his Department, and from Lord Trenchard in particular, to support the Plessey-Marconi bid. We do not know which way he will go.

8. There is an undercurrent of distrust on both sides, in all this, between CAA and Plessey-Marconi. The latter feel that they have been badly treated, because they were originally asked to tender for a much more complex system, and several years were spent in abortive work on that. The CAA on the other hand probably have doubts about the technical and managerial competence of the Company. There is a danger that some of this will spill out into a public row, whichever way the decision goes. Since Plessey-Marconi will effectively be excluded from a world market estimated at £800 million, they cannot afford to let the matter pass quietly.

HANDLING

9. The Government does have power in this case to intervene, and the problem is in deciding whether to do so. The first question to examine is therefore the rational basis for the CAA position. Do they genuinely believe in the superiority of the foreign bid, even in the light of our own narrow terms of reference? If so, does the Government have the weapons to counter their arguments, if it is decided to over-rule them.

10. When that is clear, the question comes down to which would be least damaging to British interests, a row with the CAA, or a public declaration by the CAA of no confidence in Plessey-Marconi, with subsequent public recriminations?

11. The implications of this go wider than the interests of Ministers represented at your meeting, since it will affect employment, and foreign trade, as well as public expenditure to a limited extent. You will therefore probably not wish to come to any firm conclusion, but to note the position, and arrange for a wider discussion in E Committee next week.

CONCLUSION

12. This will depend on the discussion, but will probably be for Sir Keith Joseph, in consultation with Mr Nott, to raise the matter at E Committee at its meeting on Wednesday, 23 January.

RA

ROBERT ARMSTRONG

16 January 1980

COMMERCIAL IN CONFIDENCE

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

16 January 1980

Stuart Hampson Esq
Private Secretary to the
Secretary of State for Trade
Department of Trade
1 Victoria Street
London SW1

Dear Stuart

NATIONAL AIR TRAFFIC SERVICES (NATS) RADAR REPLACEMENT PROGRAMME

Your Secretary of State and Lord Strathcona accompanied my Secretary of State and Lord Trenchard when they saw Sir Nigel Foulkes, the Chairman of the Civil Aviation Authority on 15 January. The meeting was arranged in consequence of the E(EA) decision that Ministers should see Sir Nigel to determine whether he was prepared to modify his position on the acquisition of American radar equipment in the light of wider political concerns.

I enclose a record of the meeting.

Following Sir Nigel Foulkes' departure your Secretary of State and mine agreed to approach the Prime Minister jointly to alert her both to the political implications of the CAA's decision to acquire American equipment in preference to that available from Marconi/ Plessey and to criticisms which could be expected about the damage which would be done to British radar interests and overseas markets. It was also agreed that my Secretary of State and Lord Trenchard should arrange to see Lord Nelson of GEC and Sir John Clarke of Plessey whilst your Secretary of State is in Japan. In the light of these two meetings it would probably be necessary for your Secretary of State to see Lord Nelson and Sir John Clarke on his return to this country.

I am copying this letter and its enclosure to Tim Lankester (10 Downing Street), the Private Secretaries to members of E(EA), David Jones (Defence) and to Martin Vile.

Yours sincerely

Ian Ellison

I K C ELLISON
Private Secretary

COMMERCIAL IN CONFIDENCE

NATIONAL AIR TRAFFIC SERVICES (NATS) RADAR REPLACEMENT PROGRAMME

NOTE OF A MEETING HELD AT 6.00 pm on TUESDAY 15 JANUARY 1980 in ROOM 11.01 ASHDOWN HOUSE

Present

Secretary of State for Industry
Secretary of State for Trade
Viscount Trenchard
Lord Strathcona
Mr Norman Tebbitt

Sir Nigel Foulkes, Chairman of the Civil Aviation Authority

Mr Steele, DoT
Mr Atkinson
Dr Thynne

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1 The Industry Secretary said that the purpose of the meeting was to understand Sir Nigel Foulkes' point of view and to explain to him Ministers' approach to the problem. The Trade Secretary said he wished to listen to Sir Nigel Foulkes.

2 Sir Nigel Foulkes had not brought expert advisers and intended to explain the position on the basis of his own knowledge. Air Traffic Control (ATC) Services were concerned first with safety in the air, secondly with expeditious handling of traffic and thirdly with the effective and efficient use of resources. The National Air Traffic Service and the Civil Aviation Authority Board were responsible for ATC services and incorrect decisions by them could lead to danger, delays and waste of resources for which the CAA would be held to account in the mid 1980s. The Government was in a position where it could refuse loan consent to purchase equipment but the Government could not issue directions; it would, however, be uncharacteristic of present Ministers to seek to intervene in that way. The position therefore was that the CAA was the customer and the Government was acting as banker.

3 Sir Nigel explained that the problem had begun before he had become Chairman. The CAA had in his view gone to excessive lengths to help UK manufacturers but they were now firmly resolved not to take risks about either the delivery of equipment or its reliability by ordering from UK manufacturers on this occasion. They had decided reluctantly and after heart-searching to place the order abroad.

4 The CAA were under a time constraint because they were dependent on old radar equipment, the type 82, which was close to the end of its useful life and the CAA were unwilling to rest on assertions that the equipment, even when updated, would work after 1982. There was a serious question mark about whether the updated equipment would work reliably and the technical judgement of both the RAF and the ATC engineers was that the type 82 radars were close to a position of chronic unreliability. The unsatisfactory position on existing

/equipment ...

equipment created a serious time constraint which was aggravated by the position at the London Air Traffic Control Centre (LATC) at West Drayton. This involved a massive development intended to provide satisfactory air traffic control services about which there was mounting concern. The LATC programme was late already and it would be further delayed if the CAA were to decide to purchase the Marconi/Plessey radars.

5 Sir Nigel Foulkes drew attention to the history of the Linesman Mediator project in the 1960s when elaborate equipment had been purchased from British manufacturers which had failed to operate satisfactorily and had resulted in the CAA acquiring ATC equipment "off the shelf" from a US company. This development had put back the development of British ATC equipment compared with the rest of the world. The CAA had also had an unfortunate experience with the acquisiton of DVOR equipment from Plessey which had resulted in orders being diverted to American companies. At the present time the CAA simply did not believe the assertions being made by Marconi/Plessey about the delivery and technical reliability of the equipment they proposed to supply. Against this background the CAA had decided firmly to acquire Westinghouse radar equipment which was available "off the shelf" in a fully developed form. If they were not permitted to acquire Westinghouse equipment, they would, as a second preference, acquire HSA equipment from a subsidiary of the Dutch Philips company. The latter equipment was being brought into operation at Singapore, was not as fully developed as the Westinghouse equipment but did provide some scope for enhanced performance.

6 Sir Nigel Foulkes stressed that the Board of the CAA did not dare to buy British equipment because of the risks associated with delivery times and the technical credibility of the equipment. Their attitude was influenced by the fact that Plessey was in the lead in connection with the provison of equipment. This was not a case where the CAA had been unfair to British companies. There had been discussions since 1975 about the development aerial turning gear but the situation was that the British companies were behind overseas competitors and the CAA equipment would need to come from a German AEG company. CAA had also arranged for Plessey and Marconi to have access to confidential Federal Aviation Authority information about signal processing developments but had neglected to take advantage of the opportunity. The position was therefore that after several years of discussion, during which the British companies had been in a uniquely advantageous position to supply CAA on a single tender basis, the companies had been unable to submit more than outline tenders at an "outrageously high price". The two companies had not began serious technical collaboration until 1978 when the CAA had gone out to open tender. In his considered view the CAA had done its best to help British manufacturers win the contract - indeed he thought that the CAA had gone too far - and as a result the CAA had lost 18 months in the installation of urgently needed equipment. He was not concerned to whitewash the CAA or the NATS since he accepted that some of the things they had done could have been done better. He himself wanted to buy British equipment as did the CAA Board but the situation was that it was impossible for them to do so. The Board's conclusion was that it would not buy the British equipment and he was prepared to back both the Board and its engineering advisers on this decision.

/7 ...

7 The Industry Secretary was grateful to Sir Nigel Foulkes for his explanation. He approached the problem as a layman, not as an expert, and he appreciated the position of the CAA. He accepted that it was uncharacteristic of present Ministers to seek to intervene in a decision by an expert body. He did not wish to discuss the past in any detail but he noted that there was a conflicting interpretation of what the CAA had done. His wish was to discuss the future.

8 The essential point was that the CAA order was small but any decision by it to purchase foreign equipment would have a dominant impact on the marketing arrangements for a successfull small section of UK industry. The fact of the matter was that overseas customers would hold it against Marconi and Plessey that the UK authorities had not trusted their equipment sufficiently to purchase it ; overseas orders would be diverted to Marconi and Plessey's competitors as a consequence. This accounted for the Government's intervention. The Government's concern was not with the value of the pound or with the balance of payments but with securing the vitality of industry. The UK industry had a story of success but the CAA 's decision could lose them a share of the world market amounting to tens of milions of pounds.

9 The Industry Secretary accepted the CAA's arguments about delivery, safety and reliability and he noted their willingness to leave on one side small price differences. He thought,however, that technical experts from the MOD Procurement Executive and from the CAA itself had agreed on the technical capacity of the Marconi/Plessey equipment and that it met the CCA's requirements. The Procurement Executive itself had extensive experience going beyond that of the CAA in the acquisition of radars. The Procurement Executive also judged that the potential to put reliable equipment into operation existed.

10 Sir Nigel Foulkes replied that the CAA could not afford the luxury of acquiring equipment which was still in the process of development and which might not work when installed. The choice was between available equipment which was demonstrated to work and equipment which raised a number of question marks about its successful development, its capacity to operate efficiently and its delivery dates. He himself was not willing to accept the survey carried out by the Procurement Executive which had been "quick and dirty". In reply to the Trade Secretary who pointed out that the Procurement Executive survey had been carried out at Ministers' request, Sir Nigel said he had no criticism of what the Procurement Executive had attempted to do. It was possible to be selective in one's quotations from the report but it did not over-ride the lesson of experience that projects with a high development element had an unacceptable degree of risk.

11 The Industry Secretary pointed out that the Marconi/Plessey equipment could be upgraded and asked whether the CAA were influenced by this point. It appeared to him that the CAA had been offered British equipment which could reach their requirements. In reply Sir Nigel Foulkes was unimpressed by the potential for upgrading the Marconi/Plessey equipment; his experience with

/the ...

the British companies in connection with the tenders suggested that they might not be able to deliver equipment to the high standards proposed. The fact of the matter was that the CAA could not afford to delay the LATC for a further 2 years; if they had 5 years they would look at the matter again and would even be willing to pay a higher price for British equipment.

12 Sir Nigel Foulkes stressed that the risk of damage to Marconi/Plessey might be over-stated. He had recently had lunch with the Plessey company at which the impact of the CAA decision on overseas markets was discussed. He had been surprised when Plessey had taken the line that they were shut out of all industrialised markets because they favoured their home companies leaving only the developing countries where there was little application for the sort of equipment which the CAA had in mind. The CAA did not intend to publicise its decision about radars. He suggested that the Marconi/Plessey position could be defended on the grounds that the two companies were heavily committed on defence equipment and that the CAA itself had set a tight timetable.

13 Lord Trenchard considered that the wider implications needed discussion. Sir Nigel Foulkes' arguments about safety and reliability seemed unanswerable but a different case had been put to him. The view put forward by Sir Nigel Foulkes was so far removed from what officials and the Procurement Executive had explained to him that the matter required further consideration. He could not for example accept Sir Nigel Foulkes' criticism of the type 82 radars or his doubts on safety grounds.

14 Dr Thynne pointed out that only 50% of Marconi/Plessey's business was in the military field which meant that Sir Nigel Foulkes' argument about lack of damage to the companies was invalid. The type 82 radar rehabilitation programme was now firmly in hand; this would dispense with valves and would substitute solid state technology which would result in radars which would be more reliable after 1982 than before. The impact on overseas markets would be serious; the size of the market was estimated at approximately £800 millllion over 5 years and Marconi/Plessey were already exporting 65-70% of their output and earning about £100 million per annum. This comprised a mix of civil and military equipment and, whilst it was difficult to make any precise judgement of the impact of the CAA order on overseas markets, there would be serious repercussions on both the military and the civil sides. In reply, Sir Nigel Foulkes suggested that it was highly unlikely that the upgraded type 82 radars would work as predicted and the CAA would greatly prefer not to rely on them. Mr Tebbitt added that the Ministry of Defence themselves were not happy with upgraded type 82 radars.

15 Sir Nigel Foulkes suggested that damage to Marconi/Plessey could be minimised if the acquisition of 12 Ministry of Defence radars could be expedited. Lord Strathcona pointed out that there was doubt about whether backup radars would be included in the firm MOD programme, particularly in the timescale envisaged by the CAA. Dr Thynne added that bids for 7 NATO radars had already been submitted.

16 Sir Nigel Foulkes challenged whether the investigation by the Royal Radar Establishment at Malvern had been genuinely independent. He disliked having the CAA's judgement called into

/question ...

question and had refused to allow the RRE personnel to examine the tenders by overseas companies. He considered the MOD Procurement Executive to be biased in favour of the British companies. The inquiry by the Royal Radar Establishment had done no more than to establish that the origal quotation by Marconi/Plessey had been a non-runner and that the revised tender had a reasonable chance of producing what the CAA needed but not in the timescale required.

17 Lord Strathcona suggested that there had been a direct confrontation between different groups of experts. The Ministry of Defence would prefer the order to go British companies on strategic grounds. The Procurement Executive were geninely experienced in the procurement of radars and also took a wider view than the CAA which had tended to concentrate on technical details at the expense of wider implications. He considered that the study by the Procurement Executive and the Royal Radar Establishment was hard to reject.

18 Sir Nigel Foulkes suggested that Government had to accept technical judgement of the CAA. The CAA's position was clear. Damage to the UK firms would be reduced by playing down publicity for the award of the contract, by emphasising the CAA's need to acquire equipment quickly off the shelf, and by emphasising that the CAA were continuing to talk with the British companies about the acquisition of other radar equipment. He also thought it might be possible to mitigate damage by awarding contracts for MOD radars.

19 The Trade Secretary pointed out that damage had already been done to the position of the UK companies. Westinghouse were already drawing attention of potential customers to the CAA's preference for American equipment. If the order were now awarded to British companies they could validly claim that Marconi and Plessey could sell their equipment only if customers were forced to buy it, by Government action. Harm would be done whichever decision was taken.

I K C ELLISON
PS/Secretary of State for Industry
Rm 11.01 Ashdown Ext 3301

16 January 1980

aerospace 2

10 DOWNING STREET

PRIME MINISTER

Item 2 of the attached minutes records the E(EA) discussion about CAA's radar purchase. The conclusion was that Sir Keith Joseph and Mr. Nott should together talk further to CAA's Chairman, in the light of the Committee's general concern to do its utmost to keep this order in the UK.

I understand that Sir Keith Joseph will now delay his report to you on this matter until that discussion has taken place.

(Sir Keith is sending a separate submission on Item 1 of the Agenda, so you do not need to read that at this stage).

10 January 1980

2

Aerospace

PRIME MINISTER

Lord Nelson wrote to you about the Civil Aviation Authority's forthcoming purchase of radar equipment for National Air Traffic Services.

Following Lord Nelson's approach to Ministers, there was a new technical assessment of the two options submitted by Plessey/Marconi, as an alternative to the Westinghouse-AEG equipment which CAA had decided to buy.

The review is concluded, but the argument is unresolved. I attach:

(A) Mr. Nott's paper explaining why he proposes to allow CAA to go ahead;

(B) Lord Trenchard's paper arguing that CAA should only be allowed to buy a package incorporating the Plessey/Marconi equipment - whose development costs would be supported in part from public funds;

(C) & (D) Lord Nelson's letters to you of 21 November and 18 December.

This is to be discussed in E(EA) tomorrow morning, and I have asked that Sir Keith Joseph, as Chairman, should report the conclusions to you before action is taken. In fact, I understand that disagreement is likely, in which case the matter would be referred to Cabinet.

MP

8 January 1980

10 DOWNING STREET

Mike P.

—

I don't think this has yet been received. You might check where it has got to. (You will remember that we decided not to show the PM the reply from Ld Acton until we had more info.)

JR 28/12

COMMERCIAL — IN CONFIDENCE

Aerospace

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

COMMERCIAL IN CONFIDENCE

20th December 1979

MO 26/8/2

Dear John,

NATS RADAR REPLACEMENT PROGRAMME

Thank you for sending me a copy of your letter of the 18th December to Keith Joseph.

As you know, in the matter of the choice of radars for the CAA we have played the part of "honest broker" in accordance with a request made by Tom Trenchard who was anxious to test the allegations by Plessey and Marconi that they had not been fairly treated. Naturally we would all prefer that British equipment be bought.

Our role was a restricted one in that the MOD team was allowed access only to the Plessey/Marconi bids; in the time available I think a good job was done. In forwarding the team's report Euan Strathcona summarised its findings as being that the Plessey/Marconi offer met the CAA's performance requirements in a timescale that appeared acceptable given the decision that has already been taken to extend the life of the present radars.

I see from your letter and its enclosures that the CAA have selected certain parts of the team's report to support their view that there are some uncertainties in the British proposal and none in the Westinghouse bid. We have not seen the Westinghouse proposals so we cannot comment on them. but I would expect there to be risks in any scheme which

/involves ...

The Rt Hon John Nott MP

COMMERCIAL — IN CONFIDENCE

COMMERCIAL IN CONFIDENCE

involves creating a system out of equipment being procured from a number of sources.

The CAA also argue that the timescale endorsed by the MOD team is not acceptable because the continuity of services from the existing radars cannot be guaranteed. However resources have already been committed to maintaining the radars in a fully operational condition until the end of 1984, which is compatible with the Plessey/Marconi timescale.

Notwithstanding the comments made by the Chairman of the CAA our role in this matter has been that of an honest broker although I accept that the MOD does have other responsibilities that bear on the CAA decision. Primarily because the NATS is a joint CAA/MOD organisation and, particularly given all the constraints on the Defence Budget, we naturally look to the CAA to provide the most cost-effective equipment and service. On the other hand because of my Defence Sales responsibilities I share Keith Joseph's concern at the effect a decision to buy foreign might have on the health and future export business of the UK's radar industry.

I understand that Keith Joseph believes that the issue is of such importance that it should be further considered by colleagues. I agree and I hope that the expiry date of the Westinghouse bid can be extended to allow of this.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Keith Joseph, Euan Strathcona, Geoffrey Pattie and Sir Robert Armstrong.

Francis Pym

COMMERCIAL IN CONFIDENCE

CONFIDENTIAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

The Rt Hon John Nott MP
Secretary of State for Trade
1 Victoria Street
London SW1

20 December 1979

Dear John.

NATS RADAR REPLACEMENT PROGRAMME

Thank you for your letter of 18 December in which you said you wanted to give the CAA authority to procure its replacement equipment from Westinghouse before the end of this week.

I have read Euan Strathcona's letter of 14 December and, on the basis of what he reports about the MOD's expert advice, I do not accept that we are in an "impossible impasse". The position adopted by the CAA members and in your letter runs sharply counter to the conclusion in the MOD report. I could not therefore agree to a rejection of the Plessey/Marconi proposal (Option 4/2) without full consideration with colleagues of the underlying reasons and an assessment of where the balance of national interest and advantage lies.

I think your letter may contain selective quotations from the MOD report which suggests that there may be some misunderstanding of the basis on which Euan reached his conclusions. As an example, the quotation in paragraph 2 of your letter suggests that the MOD team worked on the timescales put forward by Marconi/Plessey whereas, in fact, the whole object of the review was to provide us with MOD's realistic assessment of the timescales which we could with confidence expect to be achieved. Again, the instant reaction of the CAA to the report appears from comments in the attachments to your letter to have been coloured by past

disappointments with the UK suppliers rather than based upon an objective assessment of the present situation. CAA representatives are in fact on record in recent discussions as having said that there was nothing between the bids which the competing companies put forward in terms of technical quality and competence. It ought not to be in dispute that the equipment which Marconi/Plessey would offer in this case would, from the outset, be of modern design and would thereafter be capable of upgrading to a standard which the competition would find it difficult to match.

I do not want to make too much of these points in this letter. But when one adds to them the extremely serious consequences for the future of this country's radar and capital electronics industry which would follow upon the loss of this order, there is an overwhelming case for us / to this to give further thought/procurement in terms of the wider national interest. We must not discount these consequences. It would be the first and only occasion on which a country with its own radar industry would have placed business with an overseas competitor. And in an increasingly competitive field (with the US companies needing to recover from the loss of large markets in countries like Iran) a decision of this kind (implying massive lack of confidence) would seriously impair Marconi /Plessey's prospects of getting a substantial share of business for air traffic control radar in some fifteen overseas markets amounting to as much as £800m over the next five years. Deliberately to precipitate such a situation in the face of the report of the MOD team would, in my opinion, be the absolute antithesis of the enlightened public purchasing policy which it is the Government's intention to adopt.

I sympathise, of course, with the sense of urgency reflected by the Chairman's letter of 17 December to you. But it is not the job of the CAA to take account of the wider range of national interests to which I have referred and, if the immediate reactions of the CAA are set in this broader context and are seen against the background of the MOD report when fully considered, I see no reason to accept their somewhat precipitate conclusions.

I also sympathise with your reluctance not to interfere

in the affairs of a body like the CAA; we should avoid "second guessing" if at all possible. But the facts are that the CAA is not independent in the same way as a nationalised industry and it depends on us for loan sanction. Moreover much of the finance for the project is to be provided by MOD and as a Government we therefore have a direct locus in this matter.

Obviously it is not possible to conclude an exercise of this kind, or even sensibly to consult colleagues on the narrow points made in your letter, before the end of this week. But the immediate urgency appears to stem from the Westinghouse deadline of 31 December. I would not be inclined to attach great importance to this. It is a ploy which manufacturers are known to employ in contracting situations and, given the state of this particular market at the present time, I would doubt very much whether the US company seriously intends to prejudice its position at this point in time.

I am copying this to Prime Minister, Geoffrey Howe, Francis Pym and Sir Robert Armstrong.

Yours,

Ken.

Aerospace

PC TRADE IND

10 DOWNING STREET

From the Private Secretary

19 December 1979

I am writing to acknowledge your further letter of 18 December to the Prime Minister about the CAA's radar requirements. I will show this to the Prime Minister, and I will also ensure that the Secretaries of State for Trade and Industry receive a copy of it.

TPL

The Lord Nelson of Stafford.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Keith Joseph Bt MP
The Secretary of State for Industry
The Department of Industry
Ashdown House
123 Victoria Street
London, SW1E 6RB

18. December 1979

Dear Keith

NATS RADAR REPLACEMENT PROGRAMME

As you know we agreed to ask the Ministry of Defence and the Radar and Signals Research Establishment (RSRE) to check out the likelier Plessey/Marconi radar system offers as quickly as possible so as to provide some reasonable excuse for the CAA to buy British for their future radar requirements. I managed to agree with this procedure against considerable resistance from the Chairman and Board of the CAA because, like all of us, including the CAA, I think it would be far preferable if the contract could be awarded to British companies.

I regret to say that the rapid investigation conducted by RSRE, although it confirms the probable capacity of Plessey/Marconi in respect of Option 4/2, ie provision of most of the equipment, contains substantial qualifications. The conclusion of the report in Section 4 is that "if there were no unforeseen difficulties it is possible that the schedule would be achieved and result in a system installed in time for extended operational trials and with a possibility of upgrading to Option 2 at a future date". This hardly provides a basis for firm decisions when timing and performance are both crucial. There must be a significant risk of unforeseen delays in bringing together a novel system as Plessey/Marconi will have to do. (By contrast Westinghouse at least has a system which works.) The CAA

From the Secretary of State

CONFIDENTIAL

have seized on this conclusion, as is shown in the enclosed letter from Nigel Foulkes; this is another demonstration of how far the CAA have endeavoured to assist Marconi/Plessey, although, of course, the British companies deny that the CAA has tried very hard to put the contract their way.

We are now in an impossible impasse. The Board of the CAA are quite categoric that on no account will they buy the Plessey/Marconi equipment, and we have no power to compel them. We could deny them project approval so long as they want Westinghouse equipment, but this would be a most foolish course, not only because it would in all probability become public but also because it is extremely urgent that the CAA catch up with the delays in their radar replacement programme. The fact that your Department might come up with a £3½m subsidy (about a third of the contract price) only makes the position rather worse. The CAA could very well point to the inconsistency between one Secretary of State obliging them to raise their charges for the sake of cutting public expenditure (I am about to raise charges to the tune of about £10 millions next year) while another Secretary of State spends several million pounds of public money so that they can buy a radar system which they consider unsatisfactory and unproven when alternative equipment is available at a lower price. If the CAA were prepared to compromise in some way there might be some means of getting round the problem but they are absolutely adamant - and I cannot criticise them for being so. Since I have already heavily criticised the CAA privately for having made inadequate air traffic control arrangements in earlier years, it would place Ministers in an absurd position were we to abort a contract which the CAA wish to enter into on an entirely commercial basis.

From the Secretary of State

CONFIDENTIAL

In my view this is just the kind of Ministerial interference with an independent public sector Board which we should avoid. Unless the CAA confirm the contract with Westinghouse before the end of the year it will mean a higher price and perhaps later delivery. I feel therefore that I must give the go-ahead to the CAA before the end of the week.

I am copying this letter to the Prime Minister, Geoffrey Howe, Francis Pym and Sir Robert Armstrong.

Yours ever

John.

JOHN NOTT

CONFIDENTIAL

Civil Aviation Authority
CAA House
45–59 Kingsway
(main entrance Kemble Street)
London WC2B 6TE
Telephone 01-379 7311

SECRETARY OF STATE FOR
TRADE'S OFFICE
17 DEC 1979

From the Chairman

URGENT - Commercial in Confidence

The Rt. Hon. John Nott MP,
Secretary of State for Trade,
Department of Trade,
1, Victoria Street,
London SW1A OET

17th December, 1979

Dear John,

NATS Radar Replacement Programme

You will remember that I wrote to you on this subject on 24th September.

I am now writing to tell you that my Board has today given final approval to the proposal that the primary radar system in the NATS radar replacement programme should be supplied by Westinghouse.

Westinghouse can maintain their promised delivery schedule and prices only if Government approval for the contract is given before 31st December. Details of the programme have been in the hands of your staff for some time and, as the programme has been dangerously delayed already, I believe that it really is essential that we have your approval before the New Year.

I dislike having to press for "instant decisions", but I think you understand that the reason we are so desperately short of time on this project is that so much of it has been lost in earlier efforts by NATS to help the British manufacturers to win the contract and, in recent months, by the Ministries of Industry and Defence intervening to champion the Marconi/Plessey consortium.

I have been particularly concerned by the pressures exerted by the Ministry of Defence to influence the technical and operational judgement of the CAA and of NATS. For four reasons:-

1. The Ministry of Defence is itself the CAA's partner in NATS and I have every reason to know that our decision today has the support of that section of the MOD which knows most about the problems of air traffic control equipment.

2. The British manufacturers have seemed to suggest that they have been unfairly treated by us. They haven't.

3. The CAA is responsible for judging the soundness of the NATS engineers' judgement and the credibility of the contract arrangements. The Department of Trade is responsible for sanctioning the public money. It has looked at times in recent weeks as if other Ministries were proposing to do our respective jobs for us - or, at least, to audit our competence.

4. The CAA will be held responsible, and rightly so, for the quality of the civil ATC services in the years ahead. Lives, as well as cost and convenience, are at stake in our business. If we pick the wrong equipment it will not be the Departments of Defence, Industry or Treasury which will face the future music. It will be the CAA Board. With respect to all those who are so keen that we should buy British I must insist that we are the only body which will have to account to the Government and to the travelling public if we make the wrong decision. It does concentrate the mind wonderfully.

Lord Strathcona, in his letter to Norman Tebbit of 14th December, says that he is "confident that we have established that a British or mainly British solution is practicable with virtually no development risk well within the extended life of the current radars." He hopes, therefore that the CAA will now see their way clear to negotiate a contract with the British firms.

I have attached to this letter a brief commentary on Lord Strathcona's letter and on the MOD(PE) report on the Marconi/Plessey offers. The Civil Aviation Authority sees no reason to change its decision in favour of Westinghouse.

I have also attached an outline of the relationship between NATS and the British manufacturers over recent years. I fear that it is patriotism which has cost us so much lost time. If NATS have erred it is not in being unfair to the British companies, it is in bending so far backwards to help them win - first without any foreign competition and finally with it.

As you know, my life has been spent in British industry, much of it in engineering. I hate to see this part of the contract go abroad but the CAA and NATS simply cannot afford the risks involved in keeping it at home.

Yours sincerely,

Nigel

Nigel Foulkes.

ANNEX TO CHAIRMAN's LETTER TO MR TEBBIT

Comments on Lord Strathcona's letter (D/Min/ES/6/6 of 14 December 1979) related to MoD (PE) Report (AD/SLR1/5/51 dated 11 December 1979)

1 It is agreed that the MoD (PE) study has been done well in the time available; but it is hardly surprising that the Report calls itself "somewhat superficial".

2 From an operational service point of view, implementation timescales are of overriding importance. The obsolete Type 82/84 radar systems have already had two extensions of life to take them through to 1982. When these extensions were agreed it was clear that no technical assurance or guarantees could be given that these 1950s-vintage radars would be able to maintain an uninterrupted service since many component parts were no longer being manufactured or available as spares. The latest extensions to 1984 must retain the foregoing caveats to an even greater degree and, whilst it will be possible - at a price - to "extend the service life of these radars", no-one is in a position to say that continuity of service until the end of 1984 ".... is now assured .....". And it is continuity of service that is required in the demanding East-North East-airspace currently served by these radars.

3 Further, as the RSRE report indicates in its conclusion, the CAA/NATS timescales are not only constrained by the serviceability of the Type 82/84 radars. The LATCC development programme and Stanstead are equally important

features which depend upon the early availability of the new radars in order that air traffic can continue to be safely and expeditiously handled in the south east of England in the 1980s.

4 On the technical aspects, it is interesting to read in the report of the experience of the RSRE team when visiting the British companies. Remarks like those in 3.7 ("Our visit to Plessey was disappointing as little of the information requested was actually produced, despite pointed questioning.") and 3.7.1 ("Plessey did not produce any evidence of how the software loading figures were evaluated or any clear ideas on how the software and data would be structured, despite repeated questioning and having been forewarned of this request. It was very apparent that little thought has been put into reflection detection."), and 3.7.2 ("Plesseys were not clear as to how the load would be split between hardware and software. They stated that they had already some experience with this microprocessor for a Navy project. We were disappointed with the lack of information ....."), all highlight a certain disappointment on the part of the RSRE team which certainly reflects CAA experience with the firms over the last few years, and emphasises the lack of credibility in important areas of the proposals and programme put forward by them.

5 Turning to financial aspects, it was not our understanding that DoI were prepared to "bridge any gap that might exist between the 4/2 proposal and the best foreign bid". It is understood that Lord Trenchard would require notice of

that proposal - and not least would like to know how much is involved. Since Marconi/Plessey have only provided a budgetary estimate for Option 4/2 so far, and detailed financial negotiations would have to be undertaken before a final figure was clear, the substantial amount required to bridge the gap cannot be firmly established.

ANNEX TO CHAIRMAN's LETTER TO MR TEBBIT

Some Notes in Rebuttal of the Plessey and Marconi Claims of Unfair Treatment by the CAA

1 The assertions from Plessey and Marconi that they have been unfairly treated by the CAA are absolutely contrary to the facts. Since the inception of the radar replacement project, the CAA has sought to maintain the closest possible liaison with the two companies and during the tenders CAA staff have gone to very great lengths in attempts to assist them to formulate satisfactory proposals.

2 After the Outline Requirement was issued to the two firms in November 1974 and during the formulation of the project plan and equipment specifications, the CAA took the initiative in many discussions and studies with the companies. For example, Marconi were invited to co-operate in a CAA commissioned study with a firm of Cambridge consultant engineers to establish the specification for the aerial turning gear. Unfortunately in 1979 we find that in the Marconi proposals the aerial turning gear is one of the longest delivery items.

3 In another area, radar signal processing both companies were encouraged to follow up work being done by Lincoln Laboratories in the US. In 1976, the CAA made arrangements for teams from both firms to visit the US and acted an an intermediary in supplying the firms with design and test data on these developments. But the firms' developments on radar signal processing have not proceeded at the pace

necessary and signal processing is now seen as a timescale risk area.

4 Lord Nelson claims that the British group "devoted itself for five years to meeting the CAA's specification". Yet, in September 1978, at the end of a 20 week tender period extended at their request, Plessey/Marconi were able to submit only an outline proposal with a budgetary cost estimate. The facts are of course that it was not until mid-1978 that there was any serious collaboration between the two companies on formulation of a joint proposal and it was unfortunately only too evident from their tender submission that the work on an overall system design was in a very early stage. Indeed as the RSRE report indicates, even now some design areas have not been subject to proper analysis by Plessey.

5. The Plessey and Marconi claim that they were put at a disadvantage with respect to their foreign competitors when the specification was relaxed in the second tender is refuted by the RSRE findings. These show that the only Marconi /Plessey option that even approaches the required timescale is one that is admissable because of the relaxation offered by the CAA; the firms option in strict conformance with the specification being considered by RSRE to have unacceptable development risks. The facts are that it was because of the comments made by Plessey and Marconi during the first tender that the CAA decided, not to alter the specification, but to invite firms to submit alternative

proposals "which you consider may achieve an optimum balance of cost, performance and timescale to the requirements". CAA engineers spent a great deal of time assisting Marconi formulate their proposed options, and indeed prompted the preparation of the more realistic alternatives. Unfortunately even these options do not compete in timescale and cost with the leading foreign contenders and for which the major system elements have established production and commissioning times and more importantly proven in service reliability.

6 For the past five years, the Authority staff have taken all reasonable steps to encourage Marconi/Plessey into making proposals which meets its operational needs. However the CAA/NATS must give priority to solutions which offer the best possibility of meeting the CAA responsibilities for ensuring that the continuity of air traffic services is achieved as cost effectively as possible. It is with regret that we judge that Plessey and Marconi have been overtaken by a foreign manufacturer in meeting these objectives.

2 pp.

THE GENERAL ELECTRIC COMPANY LIMITED
1 STANHOPE GATE · LONDON W1A 1EH
01-493 8484

FROM THE CHAIRMAN

18th December 1979

pp.

Dear Prime Minister

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

Thank you for your letter of the 17th December. I am most grateful for the trouble you have taken to have this matter re-examined.

In your last paragraph you say you have been told that "the British group were given the same opportunity as foreign companies to tender for departures from the full specification." Yes, it can be said we were given the opportunity to quote when the foreigners were brought in in December 1978 but, as so often, this is only half the story. The acceptance of departures from full specification at that date enabled the foreigners to put forward non-compliant but established equipment which they had developed and put into service over the previous five-year period during which the UK effort had been devoted to meeting the full CAA specification. We were not, therefore, in the same position and this was the basis of our complaint.

I am glad the matter is being looked at again and I hope that this new study will produce an answer satisfactory to all parties and meeting the criteria outlined in your second paragraph.

Yours sincerely

Arthur Stafford.

The Rt.Hon. Mrs. Margaret Thatcher, MP.,
The Prime Minister,
10 Downing Street,
London, SW1.

Aerospace

NOTE FOR THE RECORD

Peter Mountfield (Cabinet Office) says that Westinghouse have agreed to extend the validity of their bid. The next Cabinet Committee meeting suitable for this topic is not scheduled until late next week so Cabinet Office are attempting to arrange a separate meeting of the Ministers primarily concerned. It may nevertheless need to come to a Cabinet Committee in the end.

Cabinet Office will ensure that the Prime Minister is consulted about the Ministers' conclusions before any decision is publicly confirmed.

MAP

2 December 1979

FILE

SD

Aerospace

CC D/T

IND

10 DOWNING STREET

THE PRIME MINISTER

17 December 1979

Dear Lord Nelson

You wrote to me on 21 November about the Civil Aviation Authority's radar requirements.

As you know, a study is now in hand on these matters, and I cannot say what the outcome will be. I can, of course, assure you that the Government will take carefully into account the importance of maintaining a competitive electronics industry as well as the statutory powers of the Civil Aviation Authority, the constraint of their replacement timescale and the need to keep public expenditure to a minimum.

You raised one point, however, which I have already enquired about. I am told that the British group were given the same opportunity as foreign companies to tender for departures from the full specification; if this is so, both British and foreign competitors would appear to be on the same footing.

Yours sincerely

Margaret Thatcher

The Lord Nelson of Stafford

VLS

aerospace

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

cf.

From the Secretary of State

M Pattison Esq
Private Secretary
10 Downing Street
Whitehall
London SW1

12. December 1979

Dear Mike.

Thank you for your letter of 10 December requesting a further draft reply to Lord Nelson's letter of 21 November to the Prime Minister about the radar requirements of the CAA.

.... I enclose a draft which takes account of the Prime Minister's wish to refer to the specification point.

Yours Sincerely

Hugh Bartlett

H W BARTLETT
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE

Lord Nelson of Stafford
The General Electric Company Ltd
1 Stanhope Gate
London W1A 1EH

You wrote to me on 21 November about the Civil Aviation Authority's radar requirements.

You
At this stage, before the proposed study has been completed, I cannot say what the outcome will be. The Government will of course have regard to the importance of maintaining a competitive electronics industry, as well as to the statutory powers of the Civil Aviation Authority, the constraint of their replacement timescale, and the need to minimise public expenditure.

There is one point in your letter, however, which I must not let pass without comment. I am informed that the British group were given the same opportunity as foreign companies to tender for departures from the full specification; and this would seem to have placed them on the same footing as their competitors. If the British group are at a disadvantage it is in not having already developed, for whatever reason, a long-range primary radar for civil air traffic.

Aerospace

10 DOWNING STREET

From the Private Secretary

B/F 13-12-79.

10 December 1979

We have spoken several times about the letter of 21 November from the Chairman of GEC to the Prime Minister, in connection with a tender for radar equipment for the CAA.

We agreed that an interim reply was necessary, in view of the risk that final decisions arising from the present review might not be reached until after Christmas.

The Prime Minister has now seen the draft enclosed with your letter to me of 4 December. She has commented that the specification point is a very valid one, and she wishes to make some reference to this in her interim reply.

I would be grateful if you could reconsider the draft, and let me have one covering this point by Thursday 13 December.

M. A. PATTISON

H.W. Bartlett, Esq.,
Department of Trade.

JS

PRIME MINISTER

Lord Nelson wrote to you about CAA radar requirements.

There are significant differences of view between the Secretaries of State for Trade, Industry and Defence over the merits of the issue. There is a review in hand, to determine whether GEC/Plessey should now be allowed to tender beyond the deadline and whether they can genuinely meet the specifications. The review will not deal with Lord Nelson's complaint that his company was led up the garden path by complex specifications from a monopoly supplier, only to be left stranded when the supplier decided to settle for whatever off-the-shelf equipment could be found more cheaply. But I understand that CAA see the case as one of a British supplier refusing to take their requirement seriously, until threatened by the chill wind of foreign competition.

In the circumstances, any response you send now will have to be interim and avoid prejudging the matter in any sense. The review will be completed by 14 December, but decisions arising from it could well be postponed into January.

Would you therefore like to send an interim reply as attached?

MAP

The speculation point is a very valid one.

Can we do a little more work on it? It seems to say nothing!

7 December 1979

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXXX~~ 218 2111/3

4th December 1979

MO 26/8/2

Dear Mike

I have seen a copy of Hugh Bartlett's letter to you today about the radar requirements of the Civil Aviation Authority. I should emphasize that the study which is currently being carried out at the Department of Trade's request is being conducted under the supervision of the Ministry of Defence and not just the Royal Signals Research Establishment at Malvern.

I am copying this letter to Ian Ellison and Hugh Bartlett.

Yours sincerely

Ian Dawson

(J D S DAWSON)
Private Secretary

M Pattison Esq
10 Downing Street

10 DOWNING STREET

Mike.

MOD, Mr Dawson, rang about Trade's letter below. The study mentioned was set in hand by MOD – he will send a note to make the position clearer.

Gillian

4.12.

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

M Pattison Esq
10 Downing Street
London, SW1

4 December 1979

Dear Mike

You wrote on 23 November about Lord Nelson's letter of 21 November in which he sets out his understanding of the difficulty which has arisen in connection with the radar requirements of the Civil Aviation Authority.

This is a very complicated and technical matter into which we are looking further with the assistance of the Department of Industry and the Ministry of Defence. We have set in hand an urgent study by the Royal Signals Research Establishment (RSRE), Malvern, to report on the CAA's competence to evaluate the competing tenders and upon the credibility of Plessey and Marconi's claim that they can meet the operational requirements within the period stated in their tenders. We will make a decision in the light of this study which is due to be completed by 14 December. In the meantime we .... can only suggest a temporizing reply to Lord Nelson and I attach a draft.

I am copying this letter to David Omand (Ministry of Defence) and Ian Ellison (Department of Industry).

Yours sincerely

Hugh Bartlett.

H W BARTLETT
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Lord Nelson Of Stafford
The General Electric Company Limited
1 Stanhope Gate
London, W1A 1EH

You wrote to me on 21 November about the Civil Aviation Authority's radar requirements.

At this stage, before the proposed study has been completed, I cannot say what the outcome will be. The Government will of course have regard to the importance of maintaining a competitive electronics industry, as well as to the statutory powers of the Civil Aviation Authority, the constraints of their replacement timescales, and the need to minimise public expenditure.

JS

cc MOD
D/I

GEC

10 DOWNING STREET

From the Private Secretary

23 November 1979

Coming 3/12 or 4/12

Overdue
Required by Friday
MAP

The Chairman of GEC has copied to your Secretary of State his letter of 21 November to the Prime Minister, about the radar requirements of the Civil Aviation Authority. I enclose a further copy for ease of reference.

I would be grateful for a draft reply for the Prime Minister to send. It would be most helpful if this could reach me by close of play on Wednesday, 28 November.

I am sending copies of this letter, and enclosure, to David Omand (Ministry of Defence) and Ian Ellison (Department of Industry).

M. A. PATTISON

Stuart Hampson, Esq.,
Department of Trade.

TWL

10 DOWNING STREET

From the Private Secretary

23 November 1979

I am writing on behalf of the Prime Minister to acknowledge your letter of 21 November, about the radar requirements of the Civil Aviation Authority.

I will bring this to the Prime Minister's attention immediately.

M. A. PATTISON

Lord Nelson of Stafford

PRIME MINISTER

The GEC Chairman writes to complain that the Civil Aviation Authority have treated British suppliers badly over the proposed purchase of major new radar equipment.

On the face of it, the British suppliers have a valid case. Unique specifications were laid down when they were invited to bid, but dropped without notice when overseas suppliers were invited to submit tenders after the British groups had spent several years developing packages to the specification.

We will let you have a draft reply.

23 November 1979

MHD A pretty sticky one! MHD. Trust me

THE GENERAL ELECTRIC COMPANY LIMITED
1 STANHOPE GATE · LONDON W1A 1EH
01-493 8484

FROM THE CHAIRMAN

21st November 1979

Dear Prime Minister,

CIVIL AVIATION AUTHORITY - RADAR REQUIREMENTS

I am writing in connection with the proposed purchase by the Civil Aviation Authority (CAA) of radar equipment for the modernisation of the UK Civil Air Traffic Control System.

Since 1974 discussions have been going on between CAA and the two British suppliers in the field, GEC-Marconi and Plessey. CAA's technical staff set forth an operational specification which they insisted they must have, no compromises or alternatives being admissible, and GEC and Plessey, working together, have been discussing with them how to meet it. That specification, as we advised CAA, was very exacting, embodying requirements which no existing design in the world could satisfy.

However, the British group did eventually evolve the means to meet the specification and submitted an offer in September 1978. CAA decided that the price was too high for their budget and the delivery too long for their requirements. In December 1978 CAA invited competitive bids from overseas suppliers. But this time, in contrast to the demands so far made on Marconi/Plessey, they ceased to insist on their original specification. Several foreign suppliers responded eagerly to this opportunity. They offered less sophisticated but fully developed operational equipment, accepted and funded by their own authorities, and therefore available at lower prices for relatively early delivery. The British group, having for five years devoted itself to meeting the CAA's original specification, was at a stroke placed at a serious disadvantage when that specification was no longer mandatory.

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This action by the CAA repeats injudicious and harmful precedents which British industry has frequently suffered over the years at the hands of State-owned monopoly purchasers. If we would not do as they told us, there would be no order. If we did, the result would be too dear, too far off and usually unsaleable overseas. I suppose we ought to have known better than to let the CAA dominate us in this matter. On the other hand, it is not very easy facing a powerful monopolistic buyer to answer the allegation of technological arrogance which unfailingly follows any suggestion that he may not be entirely right.

We hear that CAA has expressed the view "that British industry had been given every opportunity to meet the CAA requirement and had failed." This statement, if it was indeed made, is patently false.

The matter is of prime importance and we have therefore raised it with your Secretary of State for Trade, who is responsible for the CAA, and with the Secretaries of State for Defence and Industry, both of whose interests are also involved. It has now been agreed, following a meeting with these Departments, that a decision will be deferred for about two weeks while experienced staff of the Defence Procurement Executive, with the help of R.S.R.E. Malvern re-examine the factors involved.

Radar has provided a major British technological and export success over the last twenty years. This success has been based on our own privately funded research and development and on our ability to identify and translate to our order books the requirements of customers all round the world. The prospect that the present CAA contract may be placed with a foreign supplier could be extremely damaging to the future of the British radar industry. The prospective world business for radar and associated civil and military air traffic control systems (which in many countries are combined) will, over the next few years, run into hundreds of millions of pounds. It will be very difficult, if not absolutely impossible, to sell British equipment in this market unless it is

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seen to be firmly supported by its own domestic authorities and can be demonstrated in service.

I ask for your support for our efforts to keep this business in our country, and assure you that we and Plessey can meet CAA's requirements for a new system at a fair price and to a reasonable timescale. Furthermore, until that is installed, the existing system will be kept in full working order and operationally reliable.

I am sending a copy of this letter to the Secretaries of State for Trade, Industry and Defence.

Yours Sincerely

Lord of Stafford.

The Rt. Hon. Mrs. Margaret Thatcher, MP.,
Prime Minister,
10 Downing Street,
London, SW1.

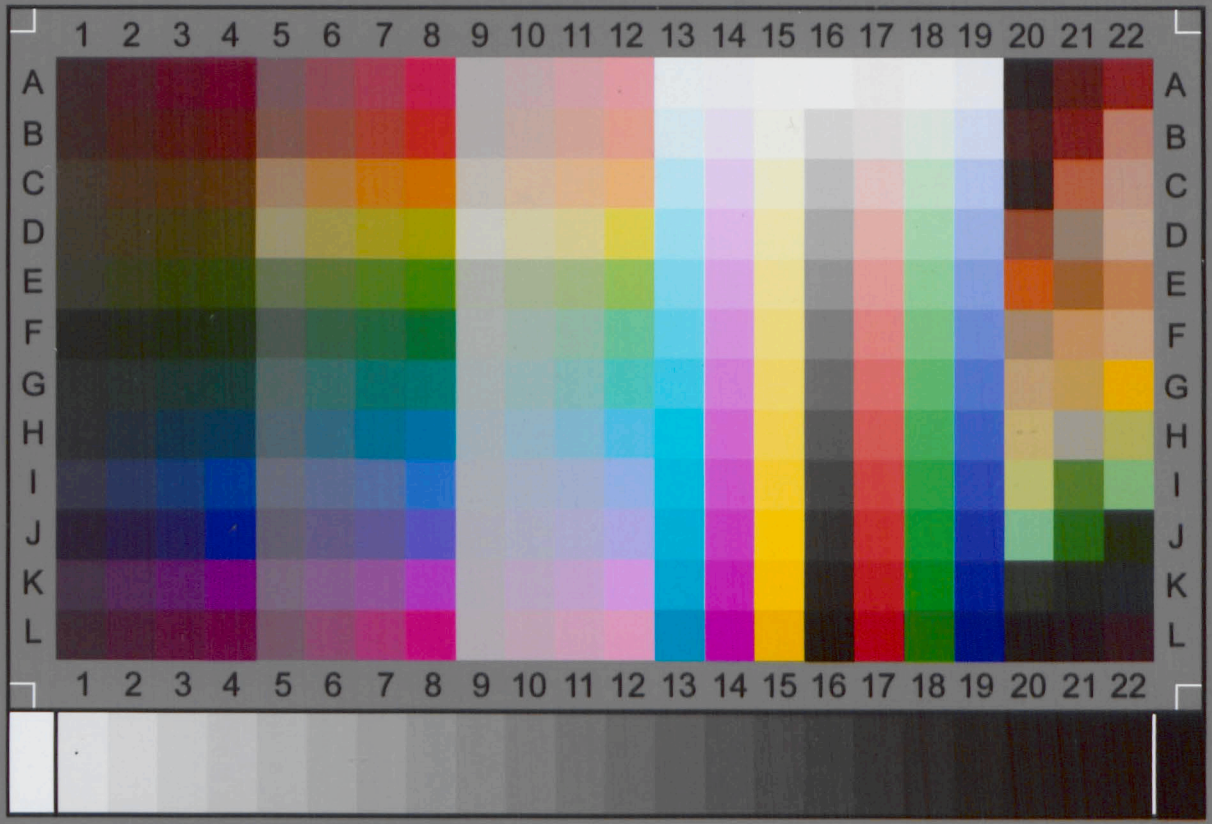
with respect to the board.

28.—(1) It shall be the duty of the Authority to provide air navigation services— Air navigation services.

(*a*) in the United Kingdom ; and

(*b*) for any area outside the United Kingdom for which the United Kingdom has, in pursuance of international arrangements, undertaken to provide air navigation services,

to the extent to which it appears to the Authority that such services are necessary and are not being provided by the Authority (either alone or jointly with another person) or by some other person.



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