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GJW Government Relations
64 Clapham Road London SW9
Telephone 01 582 3119

21st September 1983

John Coles, Esq.
Private Secretary
10 Downing Street
London
SW1

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h.a.

Dear Mr Coles,

I quite understand that it was not possible to meet before the Prime Minister's visit to the United States and I am sorry I was not able to speak to you last week.

However, I thought it might be useful to let you have a brief paper on the way Marconi see the Two-way Street and offset policies working at the moment. A similar note was provided for the Defence Secretary of State's visit to the United States last week. Hopefully, we can get together and talk about this in either October or November, but obviously not until the Conference season is behind us.

Yours sincerely
Wilf Weeks

Wilf Weeks

ANDREW GIFFORD · JENNY JEGER · WILF WEEKS

In association with Thevenot, Murray & Scheer
Washington DC Telephone 331 8788

MARCONI

THE AMERICAN SCENE

Trident Offsets

1. All Marconi experience is that the street is very much one way. Noises are often made that we will be given work if competitive, but obstacles include:
 - U. S. Services concern about foreign companies competing for critical components in high priority programmes. Often we cannot even get a second servicing.
 - The procurement rules being weighted against proprietary equipments in requiring the surrender of full design rights.
 - The need to comply with the Buy American Act.
 - Often having to bid against U.S. companies who already have the jigging, tooling and instrumentation.
2. A further obstacle in bidding for U.S. programmes is security clearance. On classified work or in any competition involving advanced technology DoD staff can classify any item as NO-FORN (No-Foreign) without explanation. An appeal can be lodged, but the time taken to pursue an appeal renders the action pointless. By comparison, U.S. firms, regardless of ownership or location, can enter almost any U.K. competition on application to the U.K. Ministry concerned.
3. We doubt if there is much in practice to be done about all this. Officials in Washington may make favourable noises about offsets and the Two-way Street, but at the end of the day it is the individual U.S. Services and the powerful service and industrial lobbies in Congress who most influence the decision.
4. We think it important to continue to emphasise the one-wayness of the Street, but most success is likely to come from companies fighting through their individual projects and from Government support as appropriate on a case by case basis for those projects.

Current Projects

5. We are currently working on the following projects:

a) ICS3 - Naval Communications: one system is under evaluation and there is a funded programme for a system to meet future requirements.

b) Ship De-gaussing System: there is a possibility of quite good sales as the U.S. have no comparable system.

c) HARM: we are keen to be allowed to bid for the U.S. HARM homing head and are working closely with the U.S. Navy Office in London on this. Substantial production would be in the U.S.

6. Stingray Torpedo

Prospects of selling this weapon to the U.S. Navy are very small. This is partly because the U.S. Navy do not wish to be dependent upon a foreign supplier for such an important weapon and any acceptance by them of Stingray might put their ALWT programme at risk. But it is also partly because of strained relations with Marconi following the various torpedo battles. As a result, we are currently playing this very gently. Militarily, however, it seems nonsense for the U.S. Navy to have to wait the six or seven years until the ALWT comes into service when Stingray is the only torpedo that can currently meet the threat. It would at least seem sensible for them to validate the torpedo in their own vehicles so that it could be used in an emergency.

7. ZEUS - Electronic Warfare Equipment

ZEUS has already been chosen by the RAF for the GR5 Harrier. U.S. Industry is a major supplier as a sub-contractor, contributing some 40% of the hardware. It would be sensible for Zeus also to be used on the U.S. Navy's AV8B Harrier programme. If selected, we will then cooperate with U.S. industry in exporting a down-graded version to third world countries.

The competition is the U.S. ASPJ (Airborn Self-Protection Jammer) which we understand is both late and very expensive.

8. Purchases by Marconi in the U.S.

Components for most of Marconi's advanced systems are purchased in the U.S. Last year this amounted to almost \$8m; in the current year procurement is running at a level almost double (\$3.7m in the first three months) and is still rising. This is such an important area of business that we have set up a special procurement office in the U.S.

TRIDENT II (D5) - U.K. INDUSTRIAL PARTICIPATION

Following a presentation to members of ECIF in London on 16th November, 1982, by Mr. R. D. Heiser, Manager, U.K. Industrial Participation (Trident), Marconi Electronics Division Ltd. (MEDL) put together a comprehensive dossier of its factories and manufacturing capabilities for submission to the Sub-Systems Prime Contractors in the USA. Copies of the dossier were delivered personally to the Prime Contractors and subsequently individual presentations were made at their factories on MEDL activities. By the middle of this year we had confirmation that we were fully approved potential suppliers to all seven Prime Contractors and their Sub-Contractors.

Our understanding from discussions with the Prime Contractors is that the basic design philosophy for Trident II must be the same in all systems as used in Trident I, except where new equipment is essential to meet the Trident II specification. This means that, for the majority of the equipment, it will be an exact copy of Trident I equipment - including the Component suppliers. Our only chance to be considered as a vendor for repeat equipment, either to the Sub-Systems Contractors or to their Sub-Contractors, is if one or more of the existing vendors fail.

Where new equipment needs designing for Trident II, MEDL, in theory, has the same chance of supplying as any USA based company. In practice, difficulties arise from the limited scope referred to in the above paragraph and also from MIL SPECS requirements which specify that MIL SPEC devices must be manufactured in the USA. It is understood that these requirements have been repudiated by the American Navy's OSD for components emanating from countries with reciprocal procurement MOU's. However, there appear to be some delays before U.S. Contractors become aware of this as the enclosed copy letter from Rockwell International demonstrates. This letter was replied to in the manner recommended by the Ministry of Defence, requesting Rockwell International to refer to OSD, but to date no reply has been received.

MEDL have now received one or two tentative enquiries or Semiconductor components. All MEDL products offered against those enquiries will meet full MIL SPEC requirements but of course are not U.S. made. MEDL have a U.S. Sales Manager located in the USA who has already made a number of visits and will maintain contact with the various Contractor and Sub-Contractors. At the present time our best hopes are with Interstate Electronics
GE Ordnance System
Lockheed
Subcontractors to Sperry
for a wide range of components subject to our being able to overcome the apparent procedural difficulties.

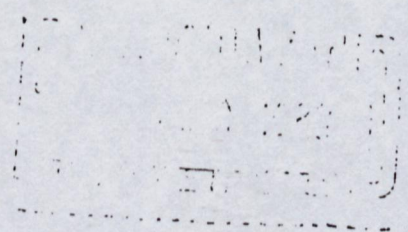
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FAX TO S. R. McLAUGHLIN

Autonetics Marine Systems Division
Defense Electronics Operations
3370 Miraloma Avenue
P.O. Box 4921
Anaheim, California 92803



Rockwell
International



February 17, 1983

In reply refer to 83DE0615736

Circuit Technology
160 Smith Street
Farmingdale, New York 11735

Attention: Mr. R. E. Warren

Reference: Meeting at Rockwell International
February 8, 1983

Dear Mr. Warren:

At the reference meeting, you had requested copies of Rockwell International's integrated circuit (IC) specifications. In reviewing your request, it was pointed out by Strategic Systems Project Office that, per MIL-M-3851OE, all microcircuits shall be manufactured, assembled and tested within the United States and its territories. Since this spec is invoked on Rockwell International, there can be no procurement from the U.K. Therefore, your request for the specifications cannot be granted.

Mr. R. Heiser of the Ministry of Defence is presently reviewing U.K.'s position as a subcontractor for IC/Jan type components. In the event the present policy changes and at the direction of SSPO, Rockwell will reevaluate your request at that time.

Very truly yours,

E. T. Haberski

E. T. Haberski
Program Administrator
Strategic Navigation Programs
Navigation and Control Systems

ETH:mg *jc*

cc: SP2015 - Strategic Systems Project Office, Washington, D.C.
Mr. R. Heiser, Ministry of Defence, Whitehall, London
Commander R. G. Lacher, Ministry of Defence, Whitehall, London