

(A)

PRIME MINISTER

NIMROD AEW

Now a very thorough report. Concludes more than 1/2 needs. If Robin has any line should like to go over it with him.

You called for a thorough investigation of what went wrong with Nimrod. The Defence Secretary's report has just arrived. It is attached together with a copy of your minute commissioning it.

We shall need to look at it carefully and I will do this with David Norgrove and the Policy Unit after Easter. You will probably want to discuss it with colleagues.

Some immediate comments are:

(i) The project was fated from the beginning. The feasibility study and project definition phase were utterly inadequate. GEC's inflated claims about what they could do were accepted too readily. (Lord Weinstock's letter of February 1977 to Mr. Callaghan which you will find at Annex B to the report makes astounding reading.)

(ii) It was known in 1979 that there were problems with the contract and by 1981 serious technical difficulties had emerged. Persistent efforts were made to get GEC to remedy them but there were two vital omissions:

- first it appears not to have been until 1985 that the Government's dissatisfaction was made known directly to Lord Weinstock and that the Defence Secretary himself began to take a hand. Until then the problem was dealt with at a lower level. Given the immense cost of the programme, it would surely have been better to have dealt with the problems at the highest level.

- secondly no-one appears to have been ready to think

This is partly G.C.'s fault - the fault of the top managers. Contracts 2 that side are none and one would expect top witnesses not

- But there was a letter on 8 Nov 1983 about this need

the unthinkable and propose cancellation of the contract and adoption of an alternative solution. The then Defence Secretary should surely have considered this option and discussed it with his Ministerial colleagues at a much earlier stage.

(iii) It is difficult to disentangle how far MOD really changed the specifications in the course of the contract. It is common ground that a significant change was required in 1981 in the design of a radar. It is also now clear that a major new part - "a ground moving target filter" - is needed to make the radar work. There is a dispute between the company and the MOD whether this results from a change in specifications or from a failure in the company's original design.

(iv) Otherwise the main failings in the MOD's handling of this contract have to be deduced from the lessons drawn by the Defence Secretary for the future in paragraph 4 of the report. These lead one to the conclusion that project definition was inadequate, that contracts contained no means of bringing contractors under effective discipline, that there was no single focus of responsibility for the project on the contractor's side and that responsibility was too diffused within the Ministry of Defence so that nobody really felt it was his job to blow the whistle.

You will no doubt want to read the report and the attached chronology during the week. But you may prefer to delay any comment or reply until you have had a chance to discuss it.

CDD

CHARLES POWELL
27 March 1986