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20th May 1986

Dear John,

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AEW

Thank you for your letter of 6th May about the airborne early warning requirement.

There is, as you say, considerable press comment and speculation on the AEW bids which we have now received, much of it inspired by the bidders themselves. The present position is that we have received proposals from six contractors, including GEC Avionics and the three United States companies, Boeing, Grumman and Lockheed. In addition, we have had proposals from the United States Government to supply either of the systems in current US military service through Foreign Military Sales arrangements.

Most of these tenders are, as one would expect, extremely detailed and complex, and it is clear that the process of

The Rt Hon John MacGregor CBE MP



evaluating them and assessing them against our specification, on which a team of experts is now engaged, will take some considerable time. Moreover, as far as cost is concerned, bidders were at this stage required only to submit maximum prices for their systems. They have until 16th June to refine their estimates and make firm price offers.

As you will appreciate, we cannot complete our assessment of the bids and reach conclusions about what they offer in terms of value for money until we can put technical performance and cost together: we shall not be able to do this until firm prices are received. Even then, we may wish to go to a further round of 'best and final' bids to see whether prices can be driven down further.

Given these uncertainties, a commitment now to a timetable leading to a collective decision on the way ahead would be premature. Once we have obtained the firm price offers and done enough work on them to enable me to be more definite about when we can expect a decision to be made, I shall write again.

I am copying this letter to the Prime Minister and other OD colleagues, and to Sir Robert Armstrong.

Yours ever,
George

George Younger

Defence, Procurement Pt 3

