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JAZADZ.



10 DOWNING STREET

From the Principal Private Secretary

5 September 1986

FERRANTI AND THE EUROPEAN FIGHTER AIRCRAFT

When the Prime Minister visited Ferranti's South Gyle factory on Thursday 4 September, the Chairman of Ferranti Defence Systems Ltd., Mr. D. M. McCallum, raised with her Ferranti's particular interest in the European fighter project. The company had already sent the memorandum attached, through the local MP, Lord James Douglas-Hamilton, which describes this interest.

Mr. McCallum recalled that Ferranti's success in the early 1970s in winning the radar contract for Tornado had been vital in giving credibility to the company's efforts to win business in Japan and the United States. Similar success in securing the radar systems for the European fighter aircraft (EFA) was necessary in giving credibility for future contracts. The company had already been chosen as the UK lead contractor for the radar contract which was worth at least £1 billion, of which some £300 million might go to Ferranti. The company's efforts were, however, being frustrated because the German AEG company had been directed by the West German Ministry of Defence to support the US Hughes' radar for the project, even though it was out of date and too big for the aircraft. One motive of the West German Ministry of Defence in pushing for Hughes' radar was their wish to use similar equipment for their Phantom aircraft. The inclusion of US equipment into the project would inhibit future extra sales of the aircraft since the US Government would insist on vetting customers. One possible way around this difficulty was for the aircraft to be made available with alternative radar systems, one US and one European. But that route would add considerably to the costs of the project.

The Prime Minister said that she was surprised to hear that the West German Government had directed AEG to support the US equipment. She would consider whether she should raise the matter with Chancellor Kohl when she saw him in Germany later in the month.

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I should be grateful if you would provide the Prime Minister with a note on the points put to her by Ferranti, together with advice on whether she should raise this issue with Chancellor Kohl, by close of play on Friday 12 September.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office), Alex Allan (HM Treasury), Timothy Walker (Department of Trade and Industry) and Robert Gordon (Scottish Office).

(N. L. WICKS)

John Howe, Esq.,
Ministry of Defence.