

CDP
15/12

MR POWELL

cc: Mr Wicks
Prof Griffiths
Mr Whybrew
Chief Whip

PRESENTATION - NIMROD/AWACS

On the basis of all I have read this weekend, this note sets out a checklist of points Government presentation:

- a. needs to make positively;
- b. needs to meet on the basis of publicity so far.

It would be useful to be able to use much of the material in the Sunday Times article yesterday (December 14) - attached at Annex I.

POSITIVE POINTS

- With £1bn already spent, and British technology, 5000 jobs (gross) and potential exports involved, the Government clearly needs a good reason not to buy NIMROD
- Whole history of the project shows the Government's prejudice in favour of NIMROD and against cancellation
- Reason for cancellation now is fourfold:
 - even GEC acknowledges that NIMROD does not meet the original requirements laid down in 1977
 - NIMROD is already 4 years late and the Government's estimate that at the very least it will take another 6-7 years to get NIMROD to deliver what AWACS does now

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2.

- an early warning system is vital to Britain's defence and no Government can responsibly go on for ever relying on an increasingly outmoded system with no certainty that NIMROD will make it
- it is only recently that it has been possible to measure the operational performance of the NIMROD system as a whole - and this development prototype has been found wanting, as GEC acknowledge
- The basic requirement laid down in 1977 has not been changed; GEC's original proposals were based on reasonable assumptions about the march of technology and the failure could not have been predicted
- AWACs meets all the basic requirements and is in service
- GEC Avionics already has £1.2bn worth of MoD contracts, offering considerable export potential, including the Al24 radar system for the Tornado and a world beating infra-red system; it is therefore nonsense to say Britain will disappear from this technology
- in any case, RACAL, Ferranti and Plessey are involved in the Boeing AWACS system, the contract for which provides for 130% offset in Britain
- GEC's reported expectations for NIMROD in the export field would only be realised if the system meets requirements
- the skills involved are in short supply in Britain and the redundancies threatened by GEC are clearly gross figures, which do not reflect the likely net outcome, which may well be no loss of employment at all

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3.

- GEC has lost nothing on NIMROD so far since it was a cost-plus contract; they have in fact the experience of the last 9 years research in the bank - experience which will be of real value to their other avionics work

- there comes a time in any project when, in the face of all the facts and requirements, any responsible Government has to call a halt; the key factor then - as it is now - is not what has so far been invested but what, on any reasonable assumption, is possible in the future and in what timescale. The Government has reluctantly concluded that the timescale for NIMROD is too long and the prospects of success too uncertain to allow it to go on

- this has been one of the most difficult decisions for the Government to take, but it considers it to be the right decision. What is more, it is a unanimous decision based on unanimous expert advice. It has been taken on the only basis it could be taken - what is best for the country's defence.

CRITICISMS TO MEET

Our briefing, if not the statement, needs to meet the following points:

GEC claims that:

- it was never allowed to see MoD's assessment;

- the aim of the independent assessment set up by MoD and cancelled after a few days, was to rubbish NIMROD

- RAF biased against NIMROD and in favour of Boeing

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- cancellation of NIMROD will cut Britain out of high-tech early warning business; cost thousands of jobs and exports worth £2.5bn; and damage GEC's credibility;
- MoD refused to sanction improvements in the system on grounds of cost when problems were identified eight years ago;
- since taking direct hold of the contract GEC has met, or bettered, every timescale target laid down
- a new independent inquiry should be set up before a decision is taken; why is this not feasible?

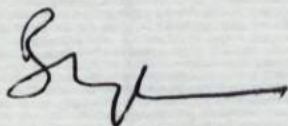
Political points:

- cancellation of NIMROD is a vote of no confidence in British technology; and a demonstration once again that the Prime Minister is Reagan's poodle
- Cecil Parkinson and 70-odd other MPs back NIMROD (NB: Mr Parkinson has a constituency interest)
- there has been bungling on all sides, but the major fault lies with MoD who have fiddled for 9 years while GEC were allowed to burn £1bn
- Boeing wishes to destroy the UK as an effective world competitor in early warning technology
- the Government's decision is making GEC pay for its support for Mr Heseltine in the Westland business

OTHER ISSUES

I shall be pursuing information on:

- potential job losses and gains and their creation - what are the chances of mopping up redundancies in the areas where they occur?
- the truth about GEC export prospects
- the extent of the additional work which needs to be done on AWACS - opponents of the Government's decision will have an apparently powerful argument if the AWACS system is not ready for immediate service when available; and when will it be available?
- the cost differential over 20 years, in the life of the AEW, taking into account the £1bn which NIMROD has already cost; some reports say the difference is negligible.



BERNARD INGHAM
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