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AEW COMPETITION : PUBLIC LINE TO TAKE

/ I attach a speaking note for Ministers to draw upon when
/ responding to questions about the outcome of the AEW
competition. Also enclosed is a copy of the statement my
Secretary of State will be making in the House later today.

I am sending a copy of this letter to the Private Secretaries to all Ministers in charge of Departments and should be grateful if they would ensure that it is copied to the Private Offices of their junior Ministers. A copy also goes to Trevor Woolley in the Cabinet Office.

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(I C F ANDREWS)
Private Secretary

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SPEAKING NOTE FOR USE BY MEMBERS OF THE CABINET AFTER
ANNOUNCEMENT OF A DECISION IF IN FAVOUR OF E-3A

1. Airborne early warning has a vital role to play in detecting hostile aircraft attacking our shores. The Nimrod AEW system should have entered operational service with the RAF in 1984. But it has been in serious technical trouble and has overrun badly on cost and timescale. Last February GEC were given 6 months to make proposals for achieving the specified performance at a firm price. At the same time other firms were given the chance to bid against the same specification. The Boeing E-3A, which is already in service with NATO and the United States Air Force, emerged as the best alternative.

2. MOD's evaluation of GEC's proposals showed that Nimrod still had a very long way to go to meet the specification. GEC explained how they planned to do this. The Defence Secretary had to judge whether the firm could achieve an acceptable standard within an acceptable timescale.

3. The unanimous advice of MOD's scientific and military experts was that the prospects were not good and the technical risks were still high. They concluded that Nimrod was unlikely to achieve the required performance before the mid-1990s at the earliest, if then. This meant that the RAF would lack this vital capability for the better part of a decade, apart from the obsolescent Shackletons which have only limited value. This is too long to leave the nation's defences in a state of unreadiness.

4. The Boeing E-3A on the other hand meets the specification in all essential respects and in some ways exceeds it. Because of its greater size it is more capable than Nimrod of being developed further to match the increasing threat posed by modern weapons. It will be delivered in 1991, some months earlier than GEC's date for Nimrod in its final form. It is true that it costs more than the remaining cost of Nimrod, but the difference is not great if you take account of running costs over the lifetime of the aircraft; and the extra money is worth paying for the greater assurance of performance in the timescale we need.

5. This has been a very difficult decision for the Defence Secretary and MOD, and there is no question of its having been handled in a biased way. In fact the easy course would have been to let Nimrod carry on and hope for the best. The Defence Secretary took the right and courageous course and grasped the nettle.

6. This is not a disaster for British industry. There may be job losses for GEC and their suppliers, though these are for the firms concerned to decide. Offsetting these will be gains to companies all over the country as a result of Boeing's commitment to spend in Britain £130 for every £100 spent on the E-3A. The net result should be no fewer jobs and perhaps more. Furthermore British firms will participate in the E-3A project itself at the level of high technology, not just tin-bashing.

7. I see no need for an independent review. It is up to the Government to take the decision, both as customer responsible for the defence of Britain and as custodian of the taxpayer's interests.