



MINISTRY OF DEFENCE
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Telephone 01-930 7022

MO 26/7L

22nd December 1986

*CDG
23/12/86*

Dear Andrew,

ALARM

Thank you for your letter of 16th December.

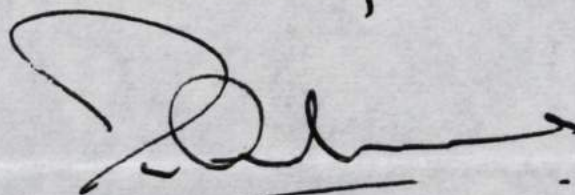
The Defence Secretary has considered BAe's position further in the light of their bid for Royal Ordnance (RO). He fully appreciates the difficulty BAe face in meeting our timetable for the RO sale but he does not believe that independent arbitration would be a practical way of resolving the dilemma. It would be likely to expose Defence Votes to unnecessary risk and would anyway be virtually impossible to arrange on any satisfactory basis in the timescale.

In an attempt to find a way forward which suits all sides, the Minister of State for Defence Procurement, Lord Trefgarne, had a meeting this morning with Sir Austin Pearce. Sir Austin accepted that we would face a real practical problem in selling RO to BAe while the ALARM issue remained unsettled. He also agreed that both sides wanted a settlement on ALARM as soon as possible and a compromise solution was worked out. BAe's bid for RO will now be processed in parallel with those of the other Companies who are on our short-list and they will be given access to the various RO sites early in the New Year so that they may find out more about the Company. But unlike the other short-listed bidders they will not at this stage be given access to RO Head Office or to the books. This more critical access will be available to them only once it is clear that a statement on ALARM is agreed. In practical terms, this means that they must aim to reach an ALARM settlement before the end of January if they are not to fall behind the hunt in the RO competition. BAe have accepted this and Lord Trefgarne has undertaken that the MOD will do everything possible to ensure a settlement on ALARM can be reached in the very tight timescale.

Andrew Lansley Esq



I am sending copies of this letter to the Private Secretaries to other members of OD, the Chief Secretary and Sir Robert Armstrong.

Yours sincerely


(I C F ANDREWS)

Difference

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