

UNITED SCIENTIFIC HOLDINGS PLC

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2nd April 1986

N.L. Wicks, Esq., CBE
Principal Private Secretary
to the Prime Minister,
No. 10 Downing Street,
London. S.W.1.

*Prime Minister
I rather doubt the
President will raise
this. But you should
be aware of the
problem. CDP 5/4.*

South Korea

South Korea

I understand the President of South Korea will be meeting the Prime Minister next week and the question of the supply by Alvis of Coventry of T300 transmissions to South Korea is quite likely to arise.

Briefly, Alvis is supplying T300 transmissions to the South Korean company Daewoo, who are building armoured personnel carriers for the South Korean Government. Daewoo has a penalty clause with that Government which is related to a delivery schedule during 1986.

Alvis has an order for 383 transmissions which is worth about £6 million. So far 114 have been delivered and the rest are due for delivery by February 1987.

Currently Alvis is 37 units behind the delivery schedule. The reason for this is that there is a dispute with the workforce who are not working at the moment. The dispute is about an increase in pay and it is not yet resolved. It is a relic of the attitude of the previous owners of Alvis. It would be wrong for us to give way to the demands for increased pay and we do not intend doing so.

Alvis believe that they can recover the programme by the end of this year by means of speeding up investment in new computer control equipment; introducing three shifts in certain areas; and by selective subcontracting.

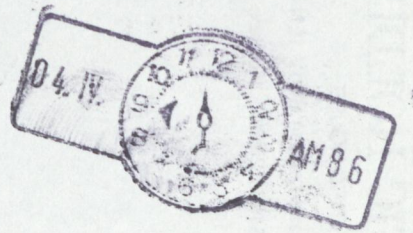
Alvis, quite rightly, stand by this decision, but I thought the Prime Minister ought to be aware of the situation before she meets the President of South Korea.

*Yours in
Sincerely
Frank Cooper*

Frank Cooper
Chairman

Copy to: Mr. J. Howe, Private Secretary to the Secretary of State for Defence.

COMMERCIAL



UNITED STATES POSTAL SERVICE



cc: Mad
Sir P. Chadock

10 DOWNING STREET

From the Private Secretary

5 April 1986

Dear Frank,

Thank you for your letter of 2 April addressed to Nigel Wicks about the possibility that the President of South Korea may raise the question of the supply by Alvis of Coventry of T300 transmissions to South Korea. It was helpful to have warning of this and I shall ensure that the Prime Minister sees your letter.

Yours sincerely,

Charles Powell

The Rt. Hon. Sir Frank Cooper, G.C.B., C.M.G.

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c) Defence Sales. The MOD regard the ROK as a major potential defence market, although in recent years sales have only amounted to £10m a year. There may be opportunities for joint ventures and local production as the Koreans diversify away from their dependence on the USA. But the path to success is likely to be through Korean industrial houses. One specific problem is that President in recent weeks, has withheld approval for a Ferranti/Marconi naval fire control system. Explanation may be wish to announce during visit. Although contract for only £30m, regarded as market break-through by UK manufacturers. But present Alvis strike affecting vehicle transmission production has disrupted military vehicle building by Korean customer (Daewoo) which had ordered £9m of transmissions. May prove embarrassing example of UK/ROK industrial collaboration. MOD investigating ways of helping ease situation but backlog unlikely to be redressed until end of year.

[Frank
Cooper has
written to
you about
this.]

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