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*for*  
18th December 1984

*De Peter*

I write to give you advance warning of an announcement on the competition for a new basic trainer aircraft for the Royal Air Force, to replace the existing Jet Provost fleet.

You may recall that we invited tenders from four companies, British Aerospace (linked with Pilatus of Switzerland), Hunting, Shorts (linked with Embraer of Brazil) and Westlands (linked with the Australian Aircraft Corporation). These have been evaluated thoroughly and the manufacturers' tenders, as received and as adjusted to give a total package for acquisition costs, are as follows:

<u>Aircraft</u>	<u>Manufacturer's Tender</u>	<u>Adjusted Tender</u>
A20 (Westland)	179.2	202.2
Firecracker (Hunting)	162.3	182.2
PC-9 (BAe)	120.1	142.1
Tucano (Shorts)	108.2	126.9

As you can see, the PC-9 and Tucano have a clear advantage on acquisition costs. After taking into account through-life costs,

The Rt Hon Peter Rees QC MP

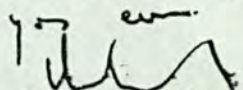


the two aircraft are virtually neck and neck on total costs, with marginal advantage to the PC-9. Moreover, they are both adequate to meet the technical and performance requirements, while the Firecracker and A20 are unacceptable on each of these grounds. The position is less clear in regard to jobs, sales prospects and British work content, but none of the contenders appears at this stage to have a significant advantage; all four aircraft include non-British components, and each would involve a substantial level of British manufacture, directly providing at least some 500 jobs at peak production.

But I do not believe a decision can be made at this stage between the Tucano and the PC-9, as there is little to choose between them, and the grounds for choice are still not firm. I therefore propose to seek best and final offers from BAe and Shorts, in order to reduce the price of the aircraft and to clarify some aspects of their existing tenders. I do not propose to include Hunting and Westlands in the best and finals stage; since the disparity between their tenders and those of BAe and Shorts is so great, I do not believe that they would have any prospect of success. In these circumstances, despite the extensive lobbying on their behalf, I believe it would be quite improper to allow Hunting and Westland to incur nugatory expense by remaining in the competition. Nevertheless, if they make strong representations, I would be prepared to allow it; the fact that they had not been invited to submit best and finals would indicate that they were starting a long way behind, and they should therefore be aware of the risk of wasting their money.

The decision will be announced by means of a Written Answer which will appear in Hansard on Wednesday, 19th December. The Answer will make clear that the further option of refurbishing the Jet Provosts - which has some short term financial advantages - has not been ruled out.

I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretary of State for Scotland, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Secretary of State for Northern Ireland and to Sir Robert Armstrong.

  
Michael Heseltine

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