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PRIME MINISTER

A NEW BASIC TRAINER FOR THE ROYAL AIR FORCE

In my paper for Cabinet C(85)7 on a new basic trainer for the Royal Air Force I reported that a late bid had been received from British Aerospace. You will wish to be aware that late yesterday afternoon I received another bid in which BAe offered a further reduction in price based partly on the assumption that we would not require the commercial warranty which we had originally requested.

2. The effect of this late intervention is to reduce the British Aerospace firm price bid to £146.3M. The Shorts' price adjusted to a comparable basis on account of the changed position on warranty becomes £144.8M. The Tucano is, however, some £850K per annum cheaper to operate. The discounted value of this over the life of the trainer fleet is £9M. Even if we were prepared to accept this late bid, which I believe would be wrong since it is well out of time, there would therefore still be a price advantage in favour of Shorts over the life of the aircraft of some £10M on a discounted basis. My recommendation to purchase Tucano therefore stands.

3. I am sending copies of this minute to Cabinet colleagues, to the Paymaster General, and to Sir Robert Armstrong.

WJL

Ministry of Defence
19th March 1985

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