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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~3307822~~ 218 2111/3

MO 26/8/2L

30th August 1985

*Seen by the
Prime Minister
30/8*

Dear Mark,

*Prime Minister.
Agree to send a message to
President Reagan, as drafted?
MEA 30/8*

MSE

The Prime Minister has taken a close personal interest in the competition for the US Army's order for Mobile Subscriber Equipment in which Plessey are teamed with Rockwell competing against GTE/Thomson CSF.

The competition has now reached a crucial stage and a decision is imminent. The Army has completed its evaluation of the two bids and our understanding is that the Rockwell/Plessey bid has come out considerably more expensive, perhaps as much as \$1 billion. The precise reasons for this are not clear: indeed, in the nature of a secret competitive process of this kind, at this stage we are having to rely on an element of speculation and on the use of informed sources within the US Administration. But a significant element would appear to be that the two bids have not been made against a single, tightly drawn specification. Instead each contractor was allowed within limits to specify his own system and Rockwell have offered one significantly more capable - we believe, for instance, that their system has 44 nodes compared to 36 for the GTE alternative and that the vehicle which is used is more sophisticated. While the Rockwell/Plessey bid was almost certainly graded superior technically and operationally by the Army, they appear to have chosen the GTE solution as offering better value for money.

When the Defence Secretary heard of the latest position on his return from holiday, he telephoned Mr Weinberger who confirmed that a decision would be taken shortly, that those who had carried out the evaluation were pleased with the effectiveness of both contenders for the contract, and that the cost of our contender was "considerably higher". The Defence Secretary emphasised the importance of making comparisons on a like-for-like basis and Mr Weinberger agreed to look into this. We have just heard that it is planned for Mr Weinberger to reach a final decision next Tuesday afternoon and for that decision to be announced at 1600 (Washington time) on Wednesday.

Unless we are able to secure a new round of bidding on a common basis which narrows substantially the price gap, it seems

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almost inevitable that we shall not succeed in winning this contract. As part of our last effort, the Defence Secretary has himself written to Mr Weinberger as in the attachment. He believes that the Prime Minister will also wish to consider contacting the President in the hope that the White House will call for further evaluations. I attach the text of a message which might be used for this purpose, which the Defence Secretary recommends the Prime Minister might send. We have considered the alternative of suggesting a telephone call, but this would disturb the President while on holiday: I recognise, however, that this is very much a matter for the Prime Minister's personal judgement. If we are to maximise the opportunity for those in the White House sympathetic to our position to bring pressure to bear on the Pentagon, it would be helpful if this message could be despatched as soon as possible.

I am copying this letter and the attachments to Len Appleyard (FCO) and Richard Hatfield (Cabinet Office).

*Yours ever,
Denis*

(D BRENNAN)

**MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB**

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MO 26/8/2L

DIRECT DIALLING 01-234 1173
30th August 1985MOBILE SUBSCRIBER EQUIPMENT

As you know from your conversations with the Prime Minister and with me during our visits to Washington in July, the British Government attaches great importance to the Rockwell/Plessey bid to meet the US Army's requirement for Mobile Subscriber Equipment, which is based upon our own highly successful Ptarmigan system. I found our conversation on the telephone about this on Tuesday most helpful and I was grateful to you for explaining so clearly where matters stand. I thought I would write to follow up our conversation.

I was in particular most grateful for your agreement to check that the offers that have been evaluated are for comparable systems. To illustrate my concern, I have heard that the Rockwell/Plessey bid, based on their understanding of the US Army's wishes, includes a greater number of nodes than the alternative, which in itself could account for a large measure

The Honorable Caspar Weinberger



of the cost differential which we understand to exist. It may be - and in the British context I should be the first to understand this - that the US Army to keep costs down is happy to accept a specification somewhat below what we had regarded to be the minimum requirement. If that is the case, I wonder whether it would be possible for each of the contenders to be allowed to quote for an identical system in terms of the number of nodes and of related equipment such as vehicles and radios?

On further reflection, it also occurred to me that problems over forecasting exchange rates could also be a factor in any cost differences. From my own experience in assessing overseas bids for programmes stretching over a number of years, I know how difficult this is. Because of our own considerable purchases from the United States, the Ministry of Defence has a large continuing requirement for dollars. I am sure that it would be possible for us to find some arrangement with the companies which would give greater stability to your forward exchange position on this contract. If we can make a useful contribution in this way, perhaps you would let me know.

As we have discussed, the size and visibility of this programme will mean that your decision will have considerable political significance within Britain and more widely within the Alliance. Speaking very frankly, in the run-up to the next general election (which is already beginning!) defence will be a major issue between the parties with the Government under fire



for the closeness of its defence links with the United States and for the cost - and particularly the dollar cost - of the Trident programme. We need to be able to show that the two-way street is equitable and that integration within NATO has its rewards. More widely, I believe that a decision in favour of the Rockwell/Plessey bid would help strengthen the efforts we are both making towards achieving greater armaments co-operation not just within Europe but on a transatlantic basis, in order to enhance NATO's military capability. A decision the other way would be seen in Europe as a signal that nations can, so to speak, afford to dine a la carte within the Alliance - to pick up the rewards when they are available but to contribute and to be supportive only when it suits them.

The political implications then are I believe very great. If the Rockwell/Plessey bid is to succeed, of course it must be competitive in terms of capability and price. I ask only that, in the light of the wider implications, the competitors are looked at on a truly like for like basis, and I feel able to ask this since it is as much in your interest as in mine.

I know that you will forgive me for writing in such an open way. I stand ready to help in any way that I can.

Michael Heseltine

Defence: Sales



The following information is provided for your reference. It is intended to be a general overview of the current market conditions and the company's performance in the sales department. The data is based on the most recent available reports and is subject to change as more information becomes available.

The sales department has achieved significant growth over the past quarter, exceeding our targets by 15%. This success is attributed to a combination of factors, including a strong marketing campaign, improved customer service, and a focus on high-margin products. The company's reputation for quality and reliability continues to be a key competitive advantage.

Key areas of focus for the upcoming period include expanding our market reach into new geographic regions, launching a new product line, and strengthening our relationships with existing customers. The sales team is well-equipped to handle these challenges and is committed to driving continued growth and profitability for the company.

For more detailed information, please refer to the attached reports and contact the sales department directly. We are confident in our ability to meet our goals and deliver exceptional value to our customers.