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NOTE FOR THE RECORD

PRIME MINISTER'S MEETING WITH LORD WEINSTOCK AND THE RIGHT HONOURABLE JAMES PRIOR MP.

The Prime Minister had a talk this evening with Lord Weinstock and James Prior at their request.

Lord Weinstock said that he had no doubt that the Government could win the next election even if with a reduced majority. Most people were too well off to want to change. There was always a risk of some unforeseen embarrassment or slip-up which would affect the Government's prospects. If at any time the Prime Minister wanted his help he was always there. In retrospect it was a pity that she had not contacted him over the Westland affair. GEC had been misled into joining the European Consortium on the understanding that this was what the Government as a whole wanted. The Prime Minister made no comment.

Lord Weinstock continued that the nuclear accident at Chernobyl must greatly have complicated the Government's plans for further nuclear power stations. There were no votes in nuclear power. But if a decision was not taken shortly to go ahead with building Sizewell, GEC would have to close their Larne factory which had been making heavy losses for many years.

Lord Weinstock said that there were still serious problems over Rihand power station in India. NEI had shown they were utterly incapable of constructing a power station. They were still unable to give a completion date: indeed it was unclear whether they were able to build the power station at all. Their failure had ruined the reputation of British Industry in India and more widely. In particular it had sabotaged GEC's chances of winning the order for Rihand 2.

Lord Weinstock gave a long disquisition on the failings of the Ministry of Defence over Nimrod. The MOD had set unrealistic specifications to begin with and subsequently constantly changed them. GEC's main error had been not to pull out of the project altogether three years ago. However, he did not want to rake over the past (which he subsequently did at length). His main concern was that the MOD now appeared to be positively determined not to give GEC the order. Considerable progress had been made in the last few weeks in upgrading the computer and installing a filter to make the radar work better. He was confident that GEC could build it within the specified time and cost if they were allowed to do so. It would still be cheaper than AWACS. But the RAF were making no effort to get acquainted with GEC's recent work.

The Prime Minister said that the history of the Nimrod project had been appalling and a terrible disgrace for Britain. GEC was responsible for other failures too such as the FOXBAT radar for Tornado (Lord Weinstock contested this). Nonetheless her preference would still be to see a British solution if it could be achieved at the right cost and at the right time. But the RAF could not be left without an adequate AEW capability any longer. Lord Weinstock said that it would be helpful if the Prime Minister could leave the MOD in no doubt of her preference for a British solution. He was confident that GEC could now deliver at a fixed price and with penalties if they failed to deliver on time. He added that he had been concerned to learn that the MOD's original deadline for tenders was to be extended to accommodate Grumann. Everyone should be forced to play by the same rules. The Prime Minister said that she would investigate this. Lord Weinstock subsequently suggested to me that the Prime Minister might nominate someone such as Sir Robin Nicholson to inspect the recent work done by GEC at Nimrod and give an opinion on it.

Finally Lord Weinstock mentioned his concern at the antagonistic relationship developing between British industry

and the MOD as a result of application of the MOD's competitive procurement policy. He assumed that it was not the Government's policy to make the United Kingdom dependent upon foreign supplies of defence equipment.

C.D.P.

Charles Powell

10 June 1986

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