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PRIME MINISTER

BILATERAL WITH DEFENCE SECRETARY

You are to see the Defence Secretary tomorrow morning.

You will want to commiserate again over the Appeal Court verdict on the Winchester Three.

You said that you would want a further word with the Defence Secretary before a final decision was reached on the award of the Tristar Maintenance contract, for which Marshalls of Cambridge are competing with Deutsche Airbus. The MOD advice is that Marshalls bid is non-compliant, important elements are cost-plus not fixed price and that Marshalls cannot offer the reliability of Deutsche Airbus. The RAF are said to be happy with Deutsche Airbus. Mr. Marshall himself contests these points, and argues that the cost across the exchanges should also be taken into account. Another consideration is the wisdom of making a rather crucial aspect of our defence dependent on a foreign country (although this is not unprecedented eg. Trident), especially when it is Germany. I fear that good procurement practice and value for money point towards Deutsche Airbus. You might ask whether, even at this late stage, there is any way in which Marshalls can be associated in the contract with them.

You might take the opportunity to stress the need to get on with the work on EH101. Professor Hartley has agreed to advise you again, and you will be meeting him in the week 14-18 May. We really must have the full presentation very shortly after that, followed by a further meeting of OD to reach a decision. (MOD are saying that they cannot do it until June.)

You also need to remind Mr. King of the commitment to come forward with the first results of the 'defence options' commissioned at Chequers by the end of May. You may ask him whether any preliminary conclusions can yet be drawn.

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Finally you might ask whether there are any indications yet of the reasons for the Shackleton crash.

C.D.?

C. D. POWELL

2 May 1990

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