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MO 26/7/3

*PM has seen* 2nd September 1980

*Stan Burke,*

*MAP 3/ix - copy to a defence file for price in memorandum - page 2.*

PRIME MINISTER'S SPEECH AT FLYING DISPLAY DINNER

*MAP*

We spoke earlier today about the selection of a contractor for a major NATO Infrastructure funded contract for the United Kingdom Air Defence Ground Environment (UKADGE). You asked for a form of words on which the Prime Minister could draw for her speech at the Flying Display Dinner tomorrow evening. This I attach. I am now able to confirm that the outstanding contractual points which I mentioned to you earlier have now been ironed out between our contracts staff and the companies concerned. The way is now clear, therefore, for the Prime Minister to include a reference to the UKADGE contract in her speech.

So far as the detailed arrangements for the announcement itself are concerned, we would expect to inform, formally, the companies concerned - Marconi, Plessey and the Hughes company of America - during the course of today or early tomorrow of their success. This will mean that the audience will be prepared for the Prime Minister to make a reference to the contract.

It might be helpful for you to have a little further background information on the contract for the UKADGE. UKADGE is a complex arrangement of computers, communications links and displays which will improve the coordination of all input data for the command and control of the United Kingdom's air defence resources. The total programme is estimated to cost about £100 million, and NATO Infrastructure funds are expected to meet about £80 million of this total. To bid for the contract, Marconi and Plessey joined together with the Hughes Aircraft Company of America and formed a consortium (UKSL). A year ago - and a late arrival in the field - a rival partnership to UKSL was formed with French Government encouragement. The rival group consisted of French, American and Dutch firms, with a 20% stake held by ICL of Great Britain. Plessey and Marconi had expressed a fear to the MOD that their competitors

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might have put in a "loss leader" bid for the contract. In the event, however, the British led consortium, UKSL, was the winner by a margin of some £7 million.

I should mention one final point which is that of the current moratorium on defence contracts. Officials here are monitoring the MOD's financial position very carefully, and, in order to keep Defence Expenditure within the agreed cash limit, it is probable that the moratorium on defence contracts will have to be extended beyond the initial three months (which end on November 8). We are looking at the implications of any such action on the timing of the placing of the contract for the UKADGE.

I am copying this letter to Peter Stredder (Industry).

*Yours truly*  
*John Dawson*

(J D S DAWSON)



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