

COMMERCIAL IN CONFIDENCE

(2)

Prime Minister



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

A.J.C. 9.3

Telephone 01-~~920 7022~~ 218 2111/3

MO 5/4

8th March 1982

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Dear John,

David Omand wrote to Clive Whitmore on 2nd February explaining the position over Alvis' bid to sell Scorpion tanks to Oman, and said that the Tender Board was due to meet at an early date.

The Prime Minister may be interested to know that the Tender Board's recommendation went in the event to Scorpion, and the Sultan has now ratified this decision. Apparently the MOD's offer of reduced charges for training in support of the sale which my Secretary of State described in his note to the Prime Minister of 2nd March, was most helpful in securing the success of Alvis' bid.

This order represents a significant boost for the Scorpion range. It could also lead on to a further Omani purchase from Alvis if the defence equipment funding recently pledged to Oman by her Gulf Cooperation Council partners materialises.

Yours sincerely

Nick Evans

(N H R EVANS)

A J Coles Esq

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9 MAR 1982

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1



COMMERCIAL IN CONFIDENCE

MFJ

Oman

10 March 1982

Scorpion Tanks for Oman

Thank you for your letter of 8 March,
the contents of which the Prime Minister has
noted.

JC

Mick Evans Esq
Ministry of Defence



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~8307022~~ 218 2111/3

MO 5/4

2nd February 1982

Dear Clive,

You asked me for a note on the effort being made by United Scientific Holdings to sell Scorpion to Oman.

Following the evaluation of vehicles from the UK (Alvis), France (Panhard and Renault) and Austria (Daimler Steyr Puch) in the course of last year, the Alvis Scorpion and Renault VAB 90 were short listed by MOD Oman to meet a requirement to replace their ageing Saladin vehicles. (Brazil (Engesa) were not invited to participate in the evaluation phase.)

Formal proposals were called for in November, and it was at that stage that it became apparent that Alvis' lead on Renault was at risk. This was due to the fact that the price submitted by Alvis in November - which was a firm price for delivery in January 1983 - was some £46,000 more than the price quoted earlier in the year but which had been quoted on a different basis and subject to escalation. Although the firm price was consistent with the figures quoted earlier, taking escalation into account, the increase was badly presented in Oman. Given also certain other attractive features of the Renault offer, the Scorpion was at that point considered to have lost its lead.

When this was realised at the end of 1981 by senior management, and in particular Mr Peter Levine, immediate steps were taken to try to recover the position. An offer to buy back the Saladin vehicles at inflated prices and to provide training free of charge was submitted on 3rd January 1982 which had the effect of reducing the price in real terms below that of the price given in March 1981. Concurrently with this offer MOD Sales have offered instructor training courses for four crews in the UK free of charge.

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C A Whitmore Esq

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There is no doubt that this order for 40 vehicles is required badly by United Scientific Holdings and Peter Levine is determined to obtain it. The criticism about the effect of the take-over of Alvis by USH on this sales prospect no doubt owes its origin to the misunderstanding which took place in Oman following the submission of the formal proposals in November and the delay in submitting the offer to buy back the Saladin vehicles. Peter Levine is ready to admit that the company did not handle their proposals as well as they should have done in November but there is no doubt that once the matter had been brought to his attention he took immediate action to put it right. In doing so we believe there is a good prospect that the company has regained the initiative and that they stand a good chance of winning the order for 40 vehicles (worth approximately £9M) when the tender board meets in the very near future.

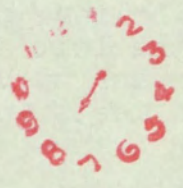
Yours ever,

David Omand

(D B OMAND)



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