

PRIME MINISTER

You asked about this decision, which leaked earlier in the week.

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PS/Secretary of State for Industry

\* It looks as if the need is temporary. What do other aero-engine manufacturers use & where do they get their supplies?

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Mike Pattison Esq  
Private Secretary to the  
Prime Minister  
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① I gather that RTZ (whose director Martin Frame is also director of NEB) won't participate because the project isn't viable

② The F.T. today (Saturday) indicates that Japan and France are considering "expanding" production. Can we not buy -

Dear Mike

You told me that the Prime Minister has asked for a note on the reports in the press yesterday about the NEB's involvement in a titanium project costing £25m at Hartlepool. As I mentioned to you, both the Secretary of State and Mr Butler are away from the office at the present time but I spoke briefly to Sir Keith yesterday and he is aware of the press reports.

(company) for them. ans.

The background to this matter is that Rolls Royce (RR) uses titanium alloys in its aero-engines. These engines, of various generations, including the latest, are in civil and military service worldwide and, in particular, are essential to the operations of the RAF and some NATO forces. The alloys concerned are derived from titanium sponge, of which ICI at present is the only European producer. Eighteen months ago ICI told RR that they wished to close their plant (at Wilton) because it is ageing, uneconomic and does not fit in with their plans for the future of the site. Attempts to persuade them to provide continuing supplies have been unsuccessful.

It would not be feasible, in the time for which ICI supplies will be available, for RR to re-design their engines to use either titanium from other sources or non-titanium materials. It is, therefore, imperative that satisfactory arrangements be made to meet RR's requirements: the consequences of not doing so would be intolerable both in commercial and defence terms.

As the NEB own RR this problem has been of close concern to them since it was first identified and they have endeavoured to bring together a group to invest in a new plant. My Secretary of State considered that this plant should if at all possible be privately financed (though a minority investment by Rolls Royce might be desirable) and the NEB accordingly has been making most energetic efforts to secure private sector participants and so to the fullest possible extent replace the public sector role in the project. There are a number of potential participants, but time will be needed to bring them to the point of commitment and it would have delayed matters for the NEB to have had to hand over to RR the negotiations already in progress.

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Because of this, and because it is essential to make physical progress with the development of the new facility to avoid RR running out of titanium, my Secretary of State agreed that the project should proceed for the time being under the aegis of the NEB - though under the management of two private sector companies with experience of such projects - subject to the NEB making every effort to recruit the fullest possible private sector participation to replace their own involvement and that if this did not succeed the position was to be reviewed by the end of this year. My Secretary of State did not feel it necessary to bring this individual case to his colleagues in view of his expectation that the NEB's involvement would be temporary.

My Secretary of State was aware of the public interest that would be shown in this matter: you may recall the publication of a well-informed article in the New Statesman as early as 11 May and there were a number of subsequent newspaper articles. He therefore asked the NEB to make no announcement on the matter and to limit any statement to saying that they had been authorised to proceed with the project pending completion of their discussions with private sector interests which it was expected would lead to a satisfactory solution. We believe that the press reports that have now appeared had their origin in a planning application to the relevant local authority in the North East: most of the detailed background had already appeared in the earlier press reports.

I am sending a copy of this letter to Roger Facer; officials of the Ministry of Defence have been closely consulted at all stages.

Yours sincerely  
Peter Mason

PETER MASON  
Private Secretary

