

British Aerospace

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Deputy Chairman

PERSONAL AND IN CONFIDENCE

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
London, S.W.1.

4th. July, 1980.

Dear Prime Minister,

During your visit to the British Aerospace factory at Bitteswell, Leicestershire, on June 27th. 1980, you asked for a written submission on some of the points discussed. These are:-

1. Sea Harrier Aircraft.

The development of a Maritime version of the Harrier V/STOL fighter has permitted the revival of seaborne air power, in the defence of the United Kingdom. Because of the Harrier's unique capabilities, this can be achieved without the enormous cost of the large aircraft carrier - the Royal Navy will operate Sea Harriers from the new Command Cruisers, ships with relatively small flight decks fitted with the "ski-jump" launch ramp (another British invention). The Royal Navy has three such ships on order - HMS Invincible (currently undergoing sea trials), Illustrious and Ark Royal.

Thirty-four Sea Harrier aircraft are on order and a requirement for a further ten aircraft was identified by the Royal Navy over twelve months ago. If this order was placed now, the planning of future workloads in British Aerospace, Rolls-Royce, and equipment suppliers would be materially assisted.

Navies around the world acknowledge previous inventions in air warfare at sea pioneered by the Royal Navy - the steam catapult, the angled deck, and the mirror approach aid, and will be watching with interest this latest example - the operation of V/STOL aircraft from smaller, cheaper ships. The Indian Navy has, in fact, already ordered the aircraft. British Aerospace is pursuing export prospects, but to keep

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production continuous and economical, it needs the further Royal Navy order which, in itself, will be a sign to 'would-be' customers of confidence in the aircraft.

2. Advanced Harrier Aircraft.

The Royal Air Force requires a new aircraft from 1986 to replace existing Harriers committed to NATO in Germany. The project is to meet Air Staff Requirement 409 and, initially, some 60 aircraft will be required.

One contender for this A.S.R. is the American McDonnell Douglas (MDC) AV-8B, currently being developed for the U.S. Marine Corps under the terms of a licence arrangement between British Aerospace and McDonnell Douglas Corporation. The Marines require about 340 aircraft. British Aerospace previously supplied 110 British built Harrier aircraft (known in the U.S.A. as the AV-8A) to the Marine Corps, and the AV-8B will replace these and some older conventional aircraft from 1985 onwards.

The U.S. system provides for annual approval by the Congress of defence funding for each Fiscal Year, and debates are in progress in respect of the Fiscal Year 1981 - (the period from October 1980 to September 1981). The U.S. Government and Department of Defense is opposing further funding for the AV-8B, but a similar situation applied to the two previous Fiscal Years (1979 and 1980), and the Committees of the Senate and the House disregarded the Government and inserted funding for the project.

It has been said by the U.S. Secretary for Defense, Mr. Harold Brown, to his British counterpart - the Secretary of State for Defence - that a Royal Air Force order for the AV-8B would cause the U.S. Government to change its stance and support the project.

British industry has a substantial stake in the AV-8B for the U.S. Marine Corps (British Aerospace has a 30% share of airframe man hours, and Rolls-Royce has at least 75% of engine manufacture; and other companies also benefit) ~~and~~ has taken the view that if an R.A.F. order was essential to secure the project for the U.S. Marine Corps, then the AV-8B should be procured for the R.A.F. However, many informed observers now believe that an R.A.F. order will make no difference to the survival of the Marine Corps programme. They confidently expect that Fiscal Year 1981 funds for the AV-8B - including early production money - will be approved by the Congress once more, and the AV-8B will thus go ahead, regardless of any R.A.F. purchase.

The other contender for A.S.R.409 is the Harrier Mk.5 - a totally British aircraft. Work is proceeding on the initial design at British Aerospace under study contract funding from the Ministry of Defence.

The AV-8B having been optimised for U.S. Marine Corps use will not meet the Air Staff Requirement in every respect - particularly in manoeuvrability in air combat and in maximum

speed at low level. The Mark 5, having been designed to meet the A.S.R., completely fulfills all the R.A.F. needs.

The AV-8B has the benefit of having prototype aircraft flying, but has also used British Aerospace expertise to assist progress by resolving technical problems. The Mark 5 is only in the design stage, but would have the benefit of twenty years experience at British Aerospace of pioneering and producing the original Harrier, largely on time and within budgets.

Purchase of 60 Mark 5 aircraft for the R.A.F. would be somewhat cheaper for H.M.G. than purchasing 60 AV-8B's modified for R.A.F. use. British Aerospace appreciates that the customer - M.O.D. - will decide later this year on behalf of the R.A.F., but until then British Aerospace's policy is to support the AV-8B for the Marine Corps and the Mark 5 Harrier for the R.A.F. In this way, Britain's lead in V/STOL technology would not pass to the United States and would put this country's aerospace industry in a strong position for collaboration and/or competition for the considerable V/STOL markets of the 1980's.

If, however, it is firmly established that the AV8-B programme will not go ahead without a British order, then rather than have the Americans publicly reject the Harrier concept, British Aerospace would opt - as a second choice - for a joint U.S./U.K. AV-8B programme, rather than an isolated Harrier Mk.5 programme. In that event, it would be essential for the U.K. to drive a good bargain and one in which British Aerospace's commercial interests were protected, particularly in the export market. In order to achieve this, the existing Harrier Mk.5 programme should not be cancelled before the conclusion of a satisfactory and firm agreement on the AV-8B. Also, to ensure that our position as world leaders in V/STOL is protected, studies of longer term possibilities of advanced V/STOL concepts should be intensified.

British Aerospace is grateful for the way in which the Ministry of Defence has consulted industry in this matter.

3. Hawk Exports

The Hawk Jet Trainer and ground attack aircraft is acknowledged - even by competitors - to be a success story, and to date, 150 aircraft have been delivered to the R.A.F. Initial deliveries have commenced to the first of the export customers. However, since the first three overseas contracts (50 aircraft to Finland, 12 to Kenya, and 8 to Indonesia) were achieved in 1978, no further export orders have been obtained. The only consolation to British Aerospace is that the competition - mainly the Franco-German collaborative project - the Alpha-Jet, and the Italian Macchi MB.339, have not achieved any marked sales success either. British Aerospace has been grateful for the help provided by H.M.G., particularly in the provision of competitive financing terms backed by E.C.G.D., but further help is needed in this and other areas if some key sales are to be realised.

Our competitors, particularly the French, are seen

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publicly by customers to have a close relationship with their Governments, and French Ministerial visits to overseas countries in direct support of sales are commonplace occurrences. While our product has considerable technical merit, foreign purchases of military equipment which will have to operate for many years, are reassured by U.K. Government support for the sale. Two current examples of markets where specific H.M.G. assistance would add considerably to our chances of success are Zimbabwe and Chile.

The Hawk has been evaluated by the Air Force of Zimbabwe and we believe it is the aircraft they would choose. However, to clinch this order we expect Zimbabwe to require assistance with:

- (i) the training of jet pilots prior to delivery of the Hawk,
- (ii) a short term loan of R.A.F. Hawk aircraft, and
- (iii) the provision of attractive and competitive finance terms.

Competition comes from the Alpha-Jet, the Macchi MB.339, and the Soviet Bloc with the Czechoslovakian L.39 aircraft.

For many years, British Aerospace had a prime role in the supply of defence equipment to Chile. However, with the overthrow of the Allende Government, all military supplies were stopped, and despite the Chilean Air Force's preference for the Hawk, anti-British sentiment in Chile will help the French with the Alpha-Jet - unless a change in attitude is forthcoming from the United Kingdom.

As a first step, British Aerospace would like to re-open relationships by being permitted to resume the supply of spares for the Hunter aircraft still being operated by the Chilean Air Force.

These are examples of areas where a Government/Industry joint approach to export markets will assist the achievement of orders that will help the balance of payments, and bring employment to a large number of companies in the aerospace sector of the U.K. economy. Recent H.M.G. assistance in providing attractive HMG-backed credit terms, particularly for Egypt, is a step in the right direction, but more needs to be done.

We are very grateful to you for the personal interest which you are showing in these important matters, and it is only their complexity which has led to the length of this letter.

Yours sincerely
Allen Greenwood

(A. H. C. GREENWOOD)