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PS/  
Secretary of State for Industry

7 April 1981

Michael Alexander Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Bonnie Nimotin*

*(Doubt whether this business can  
be rescued. Agree to let events take  
their course?)*

*Dear Michael*

*Yes no*  
*Am*

Thank you for your letter of 19 March. My Secretary of State has reviewed the question of finding some means of supporting Rolls-Royce's bid to supply engines for the three frigates which the Portuguese are expected to order. He has concluded that there is nothing which could properly be done to aid the business under any of this Department's existing industrial support schemes. The use of such funds is subject to the boundaries of the legislation for industrial support and the circumstances are such that it would be extremely difficult, if not impossible, to defend the provision of aid in the guise of industrial development when the real purpose would clearly be to fund a further set or sets of Rolls-Royce engines for the Portuguese. The sum involved would be £5m for one set of engines and the belief is that it might require an offer of £10m for two sets of engines, to influence the Portuguese to order Dutch frigates with Rolls engines. This would be in addition to the free set of engines which Rolls themselves have already offered for the first of the three frigates.

2 There is, moreover, a presentational problem. The Portuguese are looking for an aid contribution from HMG to put with those which they have been promised by the Governments of other countries. We could not, even if we thought it desirable, make an aid payment from DOI votes. The Departments which might properly disburse aid are the FCO and/or the Ministry of Defence, but we understand that neither is able to find money for this purpose.

3 My Secretary of State did consider very carefully whether he might forego some part of the total vote provision to this Department in favour of one or other of those two Departments. But given the many other pressures on his industrial support funds he did not feel able to justify such a transfer to supplement existing aid provisions. Unless the Chancellor of the Exchequer is able to help the FCO or Ministry of Defence my Secretary of

/State ...



State fears that we must reluctantly conclude that this Department cannot, in this instance, make available support of the magnitude needed.

4 I am copying this letter to the recipients of yours.

*Yours ever*

*Richard Riley*

RICHARD RILEY  
Private Secretary