



DEPARTMENT OF TRADE AND INDUSTRY
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Secretary of State for Trade and Industry

Prime Minister

27 March 1985

*EDP
27/3*

Rt Hon Michael Heseltine MP
 Secretary of State for Defence
 Ministry of Defence
 Main Building
 Whitehall
 London SW1

D. MacLachlan

MS

THE EUROPEAN TRANSONIC WINDTUNNEL (ETW)

Since the signature of a Memorandum of Understanding with France, Germany and the Netherlands in 1978, the UK share of the preliminary design phase of this project has been funded equally by your Department and mine.

2 In 1981 the question of our commitment beyond the present phase was raised. I wrote to John Nott offering to continue to pay half the UK share, and urging him to match my offer. The ETW would play an important role in military as well as civil aircraft development.

3 The debate between our departments was overtaken by the Falklands Campaign, so Patrick Jenkin wrote to John Nott to say that because of the serious consequences of UK withdrawal from the project and the need for an early decision, this Department would take on the whole UK share for the time being. He added that once the project was firmly launched he expected to re-examine the matter with MoD.

4 I write now to say that the project is still not firmly launched, and that I no longer believe my Department can afford to fund it.

5 As I said in the House on Monday, I have decided to reduce the resources devoted in future to civil aircraft and aero-engine R&D. The ETW would absorb an unacceptably large proportion of these reduced resources.

6 I believe that it is right for me to notify Ministers in France, Germany and The Netherlands of my decision soon, if possible before Easter, but believe you should first have an opportunity to comment if you wish. The ETW is as much directed to capability for military programmes as civil; and the case for us to

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withdraw is occasioned as much by the lack of an MoD contribution as DTI's.

7 Copies of this go to the Prime Minister, Nigel Lawson, Geoffrey Howe and Sir Robin Nicholson.

A handwritten signature in black ink, appearing to read 'Norman Tebbit', written over a large, stylized initial 'N'.

NORMAN TEBBIT

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