



MO 17/3/9

PRIME MINISTER

Prime Minister

Mr Nott will be making  
this statement on Sunday.  
 The Chief Secretary's views  
 are at A: he does not object, but  
 puts down a marker that Treasury  
 approval will be needed before we  
 enter into financial commitments.  
 No other minister has commented.

SBAC FARNBOROUGH INTERNATIONAL 82 - EH101 AND P110

LN  
 3/9

The SBAC Air Show at Farnborough will focus particular interest on the future prospects of the new Westland/Agusta EH101 helicopter and the industrial proposals made recently for the P110. BAe will be making a statement on Sunday on the P110 and we should make our position clear as Farnborough assembles.

2. Much progress on EH101 has been made towards Anglo/Italian collaboration at both the defence and commercial levels. A basic design has been agreed which meets both countries Naval requirements, (in our case linked closely with the Type 23 Frigate), and also provides an attractive springboard for exploiting a substantial civil market as well. I have discussed all this several times with Signor Lagorio the Italian Defence Minister and we have agreed that the right approach is to integrate these defence and civil prospects and involve the industry itself in a joint venture to which they also contribute risk capital. Our Department of Industry and the Italian equivalent MICA, have been fully involved. Patrick Jenkin is to meet Signor Marcora at Farnborough to discuss further their joint intent to pursue these objectives.

3. In Italy financial provision for the Naval helicopter is being made by a Parliamentary Law (which includes also the Air Force AMX project and an Army communications programme). The Law has gained approval through the necessary Committees and now requires only formal confirmation by the House and Senate. Lagorio is fully confident that this will happen, probably in October, not least because, if not, there would be a major defence crisis. Lagorio's re-appointment to Defence in the reformed Government has ensured



continuity. On the civil side, MICA claim to have already the necessary funds available and, you will recall, are anxious to use them for EH101 to pre-empt diversion to the A320. All the indications are that Italy will come up with its half share of EH101 costs in the next few months.

4. On our side, provision is being made in the defence budget for an appropriate Naval share of the development costs. The main outstanding financial issue is the Westland contribution to a joint venture for part of which they are looking for some DOI support in the form of launch aid. Detailed negotiations are in hand but will not be completed before the Farnborough show.

5. Neither we nor the Italians can make an immediate announcement about Full Development but there is the need to be helpful at Farnborough and not undermine the essential commercial exploitation of the EH101 in that special shop window. We do believe that the world commercial and military market, apart from the naval market, for the new medium helicopter could be very large; but if we are to capture it we must move ahead fast to be in the business before the Americans. I propose to reflect confidence that the EH101 programme ought to be underway early next year.

6. The P110 situation is more difficult. Considerable political pressure has been generated recently but there is little evidence yet on the prospects for collaboration or of an adequate commercial export market for the aircraft design being put forward by industry. Nor am I yet persuaded on the sort of aircraft needed for defence purposes or of its priority and affordability. It would be premature to give the sort of commitments being suggested by industry.

7. Equally it would be damaging to do nothing. Industry has taken the initiative as we have urged them to do and deserve support; we ourselves need to be better informed if future decisions are to be taken with confidence. I have proposed to industry that we should jointly undertake an experimental research aircraft programme



which would bring together current component elements of demonstrator work to further advance our knowledge of the new technologies which will be essential to meet the high performance requirements now foreseen. Work on such a research aircraft would help to sustain the nucleus of a design team in BAe and other parts of the aerospace industry which otherwise could rapidly erode to a point where there would be no longer an adequate national capability to undertake military aircraft development.

8. This would not certainly be a commitment to the P110 and major objectives of the research aircraft programme would be to explore technologies relating to high agility, composite materials, Stealth (i.e. minimum radar and other signatures), artificial stability and advanced cockpit and weapon system designs which would apply equally to any future aircraft project, including improvements to Tornado. To enhance this work and provide better confidence in future STOVL possibilities for the 1990s a smaller, parallel programme would investigate STOVL engine aspects and control in the hover.

9. It will take some three years to build this research aircraft and the total programme could extend to five years. Costs, including the parallel STOVL work, would be up to £30M per year and I am prepared to find this in the defence budget as a necessary investment to create a sounder base for later decisions and to reduce the risks of wasteful mistakes. It would also carry us over the difficult social, industrial and employment problems and for our long term military aircraft capability which would arise if we were to allow the design effort of British Aerospace to disappear. I hope that European partners, who face similar defence and industrial difficulties (the latter particularly as Tornado passes its peak) will be persuaded to join and share in this work. I shall discuss this with them when we meet later this year.

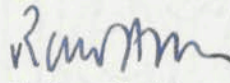
10. At Farnborough I propose to counter our inability to accept the industry's P110 proposals by this positive proposal to undertake



a research aircraft programme which will provide very practical, significant and technological assistance to any industrial initiative, whilst we gain better understanding of the many operational, international and political issues involved, including the essential market and collaboration prospects and the central questions of costs and affordability.

11. I am attaching for information the text of my statement to the Press.

12. I am sending copies of this minute to the Members of OD, to the Secretary of State for Industry, and to Sir Robert Armstrong.

*for*   
John Nott

*Approved by the Defence Secretary  
& signed in his absence*

Ministry of Defence  
31st August 1982



MOD PRESS RELEASE - FARNBOROUGH INTERNATIONAL 82

To be issued Sunday 5th September 1982.

Statement by The Rt Hon John Nott - Secretary of State for Defence

I The EH101 Medium Helicopter

1. Very heartening progress is being made in establishing collaborative and joint venture arrangements for the new EH101 helicopter.
2. This helicopter with its good endurance, high agility essential for adverse weather deck landing, substantial payload and advanced avionics capability will provide the new Royal Navy Type 23 Frigates with an organic air capability for hunting submarines and destroying them at long range with Stingray torpedoes and other weapons. The helicopter will not only operate from the Type 23s but also from the Invincible class carriers, Royal Fleet Auxiliaries and other ships and from land for the crucial role of shallow water anti-submarine defence around our coasts.
3. Similar Italian Navy operational requirements have led to collaboration. In addition, Westland and Agusta have identified substantial commercial market opportunities for such a helicopter and they have formed a joint company EHI to exploit together the full naval, civil and utility potential of this new helicopter. We are thus uniquely bringing together two nations, two Governments, two companies, two kinds of investment, public and private, directed towards a total market giving attractive prospects of a sound commercial return and an affordable defence capability.
4. Joint Anglo-Italian project definition studies for the naval helicopters were completed this summer and there is joint agreement also that the design provides the right springboard for commercial exploitation. Recently, I have had two most helpful personal discussions with Signor Lagorio, the Italian Defence Minister, and we reached full agreement about the importance of and our approach to this EH101 programme. The Department of Industry and their



counterparts in the Italian MICA have made excellent progress also in their intention to pursue the civil and utility aspects of this Anglo-Italian co-operative project.

5. Current activity involves those detailed administrative processes in both countries, such as completing a further Memorandum of Understanding, writing the Development Cost Plan, negotiating contract terms, agreeing the appropriate levels of cost sharing and obtaining the necessary authorities for expenditure which will enable the formal start of full development. This should be possible by early next year. Meanwhile it is important to sustain the momentum which has been built up (MOD have spent already some £60M and Westland have contributed their own money as well). As a measure of the confidence jointly shared in this programme, I have asked my officials to identify with industry further critical work on which it would be sensible to start now to ensure that full development can proceed as rapidly as possible once the necessary documentation has been agreed.

## II New Experimental Aircraft Programme

6. Farnborough International 1982 also gives me the opportunity of announcing that MOD and industry are jointly to undertake a research experimental aircraft programme which would bring together current component elements of demonstrator work and further advance our knowledge of the demanding technologies which will be essential to the high performance requirements now foreseen. This is essential work for future advanced fixed wing combat aircraft of either STOVL or conventional design. It will provide challenging work in the design offices and experimental workshops and create a sounder base for later decisions. Such a research aircraft could be flying in about three years time.

7. Major objectives will be to explore the many facets which contribute to high agility, the efficient use of composite materials, artificial stability, Stealth techniques and advanced cockpit and



system designs to give maximum operational capability. Interactions of weapons, ECM/ESM, defence suppression, target acquisition, aiming, communications and data exchange will need to be studied also. Whilst not directly incorporated in the experimental aircraft, other work will explore specific future STOVL engine and hovering control techniques. The intention is that this research programme will cover technologies with potential application to a variety of possible future advanced agility aircraft, including STOVL, as well as to further Tornado improvements. It will lead to greater confidence in future decisions and by reducing risks will smooth and accelerate progress in later development programmes. I hope that European partners, who face similar needs to resolve these future advanced technology issues, may feel able to join and share in this work, either nationally or industrially.

8. The research aircraft programme which I am proposing will provide very practical, significant and relevant technological assistance, particularly in the field of new agile combat aircraft, as proposed by British Aerospace, whilst we gain better understanding of the many operational, international and political issues involved, including the essential market and collaboration prospects and the central questions of costs and affordability.



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PRIME MINISTER

SBAC FARNBOROUGH INTERNATIONAL 82 - EH101 and P110

I can understand why John Nott feels it essential to give a strong positive indication of support for the aerospace industry at Farnborough and while I do not object to his proposed statement it would have been helpful if we could have been given more time to consider the implications.

2. I welcome the fact that the statement falls short of full commitment to these two very expensive projects. But the expectations of Industry and others can only be raised and if there is some major hitch, for example over Italian participation in the EH101, our room for manoeuvre will have been further curtailed.

3. The EH101 will be a major commitment, with significant civil implications. Before any commitment to full development there should be collective discussion in OD, perhaps when the Italian position is clear and the Westlands/DOI discussions have made progress. It will also be necessary for formal Treasury approval to be sought before any new Government financial commitments are entered into on the research aircraft programme.

4. I am copying this minute to the Secretaries of State for Defence and Industry, to other members of OD and to Sir Robert Armstrong.

L. B.

LEON BRITTAN

3 September 1982