

PRIME MINISTER

EUROPEAN FIGHTER AIRCRAFT

Norman Tebbit has now commented as predicted on the Defence Secretary's minute. He argues that we have come a long way from the aircraft originally specified; that the resulting aircraft is so close to the French ACX as to be almost indistinguishable; that all we get is a share in the front fuselage and the hot end of the engine; and that our tactics now should be a four-nation consortium excluding France, failing which we should go for (in effect) a British plane.

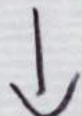
We have a considerable problem. Michael Heseltine is likely to be summoned any minute to a further five-power meeting. I have therefore arranged a Ministerial meeting for after E(A) tomorrow to discuss next steps.

The strength of Michael Heseltine's position is that he has managed to secure the support of the Air Marshals, industry and Geoffrey Pattie for his final compromise. They probably were not left much option but he has their votes. Industry in particular will be influenced by their view of what is the least "cancellable" project, and probably conclude that a five-nation one meets the bill. The Treasury will probably go along with Michael Heseltine, seeing it as the cheapest option.

But there are some serious questions to be addressed:

1. OD on 7 May concluded that an engine of 92 kilonewtons thrust was needed to get the required performance out of a 9.75 tonne aircraft. Now it is suggested that we go down to 89 kilonewtons. Will the aircraft even take-off, let alone have the high manoeuvrability needed? And while we are coming down from 92 to 89, the French are sitting tight on 87.

90
50
9.75
tonne



92-89

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compromise) whether or not the French do. Michael Heseltine has said that in those circumstances we would also sign.

Michael Heseltine will say this at tomorrow's meeting. Of course it remains to be seen whether the Germans will actually deliver (the French may appeal to Kohl). And even if they do, many of Norman Tebbit's points remain to be resolved.

e.d.p.

30 July, 1985

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EUROPEAN FIGHTER AIRCRAFT NEGOTIATIONS

Michael Heseltine has set out the current state of negotiations in his minute to you of 26 July. ^{with CDP} The key point to note is that the Germans have moved again towards the French position and signalled their intention to take a further step. You will be familiar with that story.

2 What aircraft the RAF buys is primarily a matter for the Secretary of State for Defence. What is clear is that we have come a long way from the aircraft originally specified.

3 The proposed German position is now so close to the French (and I would expect it to move closer still) that it might well be represented as ridiculous to allow such minor differences to prevent the final small step to achieve a 5-nation programme.

4 Michael Heseltine's latest proposed negotiating remit now concedes everything to the French although he would ask for a share in the front fuselage and for Rolls-Royce to have the hot end of the engine. Our earlier ambitions for BAE leadership on the front fuselage has been dropped and I am uncertain whether leadership for Rolls-Royce on the engine remains an absolute sticking point. Nor am I clear whether an 89KN engine (let alone the 88KN which looks to be the next compromise) would be adequate for the ADV Tornado or how this all affects the RB199.

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5 The present proposal, in essence to build an aircraft so close to ACX as to be almost indistinguishable, but to start to design it all over again as a 5-nation project, seems to me to be a non-cost effective formula in the short run and against our interest in the long-term. Certainly I would also have my doubts about the costs of a programme in which responsibility for the design of the key front end was split and flight testing was similarly either duplicated or split.

6 We need to re-assess our objectives instead of constantly allowing our position to be eroded without asking ourselves to what end we are making concessions.

7 As I see it Michael Heseltine's tactics are designed to achieve a 5-nation consortium. His fall back position is a 4-nation consortium.

8 I do not think that the Germans will side with us against France. Therefore the 5-nation fighter will be on French terms both in respect of specification and industrial matters. The 4-nation fall back consortium would be one which excludes us since I cannot believe that Kohl will desert Mitterand if we allow the difference between the Anglo-German position and that of the French to become so small (especially to the layman's view) as to be dismissed against the political imperatives.

9 Therefore, we should set as our objective a 4-nation consortium excluding France by seeking to widen, not narrow, the differences. If I am right and the Germans

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still stick with the French then our fall back should be a unilateral or a British led programme in which participation is invited from the Italians or others.

10 I am copying this minute to OD colleagues and to Sir Robert Armstrong.

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30 July 1985

DEPARTMENT OF TRADE AND INDUSTRY

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