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Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

URGENT  
Please refer to A-G above  
Argentina has not agreed with the Minister.

13 July 1982

John Coles Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Five Minutes  
The ROD and FCO were consulted about this and raised no objection.  
A.G.C. 65/7

Dear John,

ROLLS ROYCE: SPEY ENGINES FOR ARGENTINA

My Secretary of State has suggested that the Prime Minister should be aware of the attached correspondence from Lord McFadzean of Rolls Royce about a decision by their wholly-owned Brazilian subsidiary, Motores Rolls Royce, to return to Argentina two Spey engines that had been overhauled by the latter, and his reply.

Yours ever,

Caroline Varley

CAROLINE VARLEY  
Private Secretary

We may not be able to visit the Brazilian subsidiary but there is certainly future action we can take with regard to their work.

I believe this decision will damage U.K. in Parliament while we have our own search





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Secretary of State for Industry

12 July 1982

The Lord MacFadzean  
Rolls Royce Ltd  
65 Buckingham Gate  
London  
SW1E 6AT

Dear Frank,

ARGENTINA

Thank you for your letter of 5 July informing me of the decision taken by Motores Rolls Royce (MRR) to return to Argentina the two Spey engines that have been overhauled by MRR.

I note the conclusion of MRR that, in the circumstances, this course of action is in their best interests.

Yours  
Patel



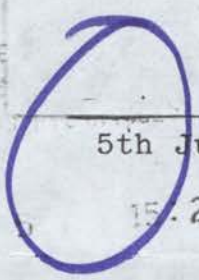
569,

# ROLLS-ROYCE LIMITED



Chairman's Office

The Rt.Hon. Patrick Jenkin, M.P.,  
Secretary of State for Industry,  
Ashdown House,  
123 Victoria Street, SW1H 0ET.



5th July 1982.

15.27

Dear Patrick,

Argentina

On 16th April I put on record to you the problems we had with Motores Rolls-Royce (MRR), our wholly owned, Brazilian registered, subsidiary which, in the normal course of business, overhauls engines for Brazil and other countries, including Argentina.

The work done by MRR for the Argentine is solely on Rolls-Royce civil engines and, from 3rd April onwards, despite contractual commitments to support such engines, nothing has been despatched from MRR to the Argentine customers. This has been by decision of MRR's management in what they have seen as the best interests, at the time, of their company: under company law we, R-R Ltd., cannot, of course, instruct this subsidiary in the manner of its operations.

The MRR management have now concluded they have to change their policy. Specifically MRR has in its possession two Spey engines which are owned by Austral, the Argentine airline. These engines are required for Austral's fleet of 8 BAC1-11 aircraft and, as mentioned to you in April, the two were already in MRR before 3rd April. Austral are now commencing legal proceedings. The airline has every right to the return of its property and MRR's management have concluded that it is in their company's interest now to release these engines without further argument.

We considered we should let you know the latest position on this matter in advance because of our earlier discussions about it and the way in which, in the event, MRR's operations have been able to avoid causing, during the hostilities, the sort of difficulties to the U.K.'s policy which we feared might arise.

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Yours ever,

McFadzean