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10 DOWNING STREET

THE PRIME MINISTER

21 November 1984

Dear Sir Raymond,

Thank you for your letter of 30 October about the potential sale of Tornados to Turkey. The outstanding record of the aerospace industry in exports, as well as the commercial and industrial significance of this particular order, are well understood by the Government. Nevertheless, in considering requests for credit support, for military as much as for civil business, the Government is bound to have regard to the economic circumstances and capacity to pay of the purchaser. In this case, and even with the private sector taking a substantial share of the risk as you proposed, we have concluded that the financial risks for the Government are unacceptably high.

I am sorry to give you such a disappointing reply but I can assure you that my colleagues and I went into the problem very carefully indeed.

Yours sincerely
Margaret Thatcher

Admiral Sir Raymond Lygo, KCB

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2 letters to see attached GR

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
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PS/
Secretary of State for Trade and Industry

16 November 1984

C D Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

PP seen

Dear Charles,
TORNADOS FOR TURKEY

October!

You wrote to me on 30 November 1984, and Tim Flesher wrote to me on 1 and 12 November enclosing letters to the Prime Minister on this subject from:

- (a) Sir Austin Pearce as Chairman of British Aerospace
- (b) Sir Raymond Lygo as President of the SBAC
- (c) John Wilkinson MP ✓
- (d) Kenneth Warren MP ✓

... I enclose draft replies for the Prime Minister to send to these letters in light of the Cabinet decision that support should not be given for this sale.

2 You have also sent us a number of telegrams, addressed to the Prime Minister and other Ministers, from British Aerospace subcontractors, in support of the sale. Mr Channon is replying to these and copies will be sent to you.

3 I am sending a copy of this letter and enclosures to Richard Mottram (Ministry of Defence), Colin Budd (Foreign and Commonwealth Office), David Peretz (HM Treasury) and David Normington (Department of Employment).

Your ans.
A. M. Hardy

PP RUTH THOMPSON
Private Secretary

Encls

JH1BMI

AAW

Sir Austin Pearce CBE
Chairman
British Aerospace PLC
100 Pall Mall
London
SW1X 5HR

TORNADO SALE TO TURKEY

Thank you for your letter of 30 October about the potential sale of 40 Tornados to Turkey. I well understand the significance of this sale to British Aerospace and other companies.

As you will I think be aware, we have nevertheless concluded that the financial risks for the Government in supporting this even with private sector support for a substantial proportion of the credit, are unacceptably high. I can assure you that the points you have made were fully taken into account in reaching this decision.

CPH

AAX

Admiral Sir Raymond Lygo KCB

President

The Society of British Aerospace Companies Ltd

29 King Street

St James's

London

SW1Y 6RD

TORNADO SALE TO TURKEY

Thank you for your letter of 30 October about the potential sale of Tornados to Turkey. The outstanding record of the aerospace industry in exports, as well as the commercial and industrial significance of this particular order, are well understood by the Government. Nevertheless, in considering requests for credit support, for military as much as for civil business, the Government is bound to have regard to the economic circumstances and capacity to pay of the purchaser. In this case, and even with the private sector taking a substantial share of the risk as you proposed, we have concluded that the financial risks for the Government are unacceptably high.

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THE SOCIETY OF BRITISH AEROSPACE COMPANIES, LTD.

29, KING STREET, ST. JAMES'S,
LONDON SW1Y 6RD

TELEPHONE: 01-839 3231 (10 LINES)
TELEGRAMS: THESBAC, LONDON, S.W.1
TELEX: 262274

THE PRESIDENT

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister,
10, Downing street,
LONDON, SW1.

30th October, 1984.

Dear Prime Minister,

I am writing to you on behalf of the Member Companies of the SBAC, who would be involved in the projected sale of Tornados to Turkey, in order to seek your support to the request made by British Aerospace for ECGD cover. The Companies concerned are listed in the Annex.

I would like to emphasise the following points :-

- a) All the major Companies involved have declared their preparedness to join together in supporting a substantial part of the Private Sector risk. This will be the first time we have taken this measure in unison. The Private Sector is prepared to take 70% of the total risk.
- b) The basic production order for 40 aircraft represents some 17,600 man-years of employment to the Companies concerned, plus a further 5,500 man-years arising from the supply of weapons and other stores which will follow. These latter would not be expected to require ECGD support.
- c) Supplies of aircraft engines and equipment spares are contracted for in cash and can exceed the initial value of the contract over a typical life cycle of the aircraft. All this business flows from the initial order and secures an equivalent level of employment over many years. It is of particular benefit to the engine and equipment manufacturers.

.....

The Prime Minister

30th October, 1984.

- d) The apparent loss of the Greek order to the French will have a serious effect on our ability to achieve further Tornado exports. It did cause an immediate re-examination by the Saudis of their requirement.

As a result of President Evren's recent meeting with King Fahad, Turkey and Saudi Arabia are moving closer together and have agreed on a mutual training package. The Tornado purchase by Turkey could thus have considerable implications for our hoped for sale of Tornados to Saudi Arabia and other Arab States. Certain it must be that to turn down a firm order from Turkey can only make it much more difficult to achieve orders from other Muslim Countries and allow the French to claim that our equipment is inferior to theirs.

- e) We now learn that the French are active in Turkey.

May I also point out that the terms which it is proposed to offer to Turkey are far less favourable than those which were offered to Greece with HMG support. Moreover, whereas other parts of British Industry might have prospects of business in Turkey, it is British Aerospace who have the virtual certainty of an order, given the right support by HMG, since British Aerospace have had a Letter of Intent since mid-June.

The record of the UK Aerospace Industry in exports is second to none, but if we are to continue to succeed in the increasingly competitive International Market, we need to act in partnership with HMG. This is what we are proposing.

I am sorry to burden you with all this but if you would wish to discuss any aspect of this business I am, as always, at your disposal.

Paul Singer,
Ray Lgpo

<u>COMPANY</u>	<u>TOWN</u>	<u>COUNTY</u>
AEROQUIP	REDDITCH	WORCS
AIRSCREW HOWDEN	WEYBRIDGE	SURREY
AUTOMOTIVE PRODUCTION	WESTHOUGHTON	
BRITISH AEROSPACE	HATFIELD	HERTS
BESTOBELL	SLOUGH	BUCKS
BRISTOL COMPOSITE MATERIALS	BRISTOL	
BRITISH OXYGEN CO.	HARLOW	ESSEX
CHELTON	MARLOW	BUCKS
COMPUTING DEVICES CO. LTD.	ST LEONARDS-ON-SEA	EAST SUSSEX
COSSOR ELECTRONIC LTD.	HARLOW	ESSEX
DARCHEM AERO LIMITED	STOCKTON -ON-TEES	TEESIDE
DAVALL GER CO. LTD.	WELHAM GREEN NR. HATFIELD	HERTS
DECCA NAVIGATOR CO. LTD.	LONDON	
DOWTY ELECTRONICS	CHELTENHAM	GLOUCESTER
DOWTY ROTOL	CHELTENHAM	GLOUCESTER
DUNLOP LTD	GATESHEAD	TYNE & WEAR
DUNLOP LTD	LOUGHBOROUGH	LEICS
DUNLOP LTD	COVENTRY	WORCS
FAIREY HYD. LTD	HOUNSLOW	MIDDLESEX
FERRANTI LTD	EDINBURGH	
FERRANTI LTD	MANCHESTER	
GLOSTER SAR LTD	HUCCLECOTE	GLOUCESTER
GRAVINER LTD	SLOUGH	BUCKS
HAWKER SIDDELEY DYNAMICS	WELWYN GARDEN CITY	HERTS
HIGH TEMPERATURE ENGINEERING	FAREHAM	HANTS
HYMATIC ENGINEERING	REDDITCH	WORCS

<u>COMPANY</u>	<u>TOWN</u>	<u>COUNTY</u>
LUCAS AEROSPACE LIMITED	WOVERHAMPTON	
LUCAS AEROSPACE LIMITED	BRADFORD	
LUCAS AEROSPACE LIMITED	BURNLEY	LANCS
LUCAS AEROSPACE LIMITED	BIRMINGHAM	
LUCAS AEROSPACE LIMITED	HEMEL HEMPSTEAD	HERTS
LUCAS AEROSPACE LIMITED	LUTON	
LUCAS AEROSPACE LIMITED	COVENTRY	
LUCAS AEROSPACE LIMITED	BRADFORD	W. YORKS
LUCAS ELECTRICAL ELECTRON	BIRMINGHAM	
GEC AVIONICS PLC	ROCHESTER	KENT
GEC AVIONICS PLC	BASILDON	ESSEX
MARCONI CO. LTD.	STANMORE	MIDDLESEX
MARCONI INSTRUMENTS LTD.	STEVENAGE	HERTS
MARCONI INSTRUMENTS LTD	LUTON	
MARSTON LUBRICANTS LTD	LIVERPOOL	
MARSTON PALMER LTD	WOLVERHAMPTON	
MARTIN BAKER	HIGHER DENHAM NR. OXBRIDGE	MIDDLESEX
NORMALAIR-GARRETT LTD	YEOVIL	SOMERSET
OMA		
PAGE ENGINEERING CO LTD	SUNBURY-ON-THAMES	MIDDLESEX
PLESSEY CAPACITORS LTD	TOWCESTER	NORTHANTS
PLESSEY CO LTD	ILFORD	ESSEX
PLESSEY CO LTD	FAREHAM	HANTS
PLESSEY CO LTD	HAVANT	HAMPSHIRE
PLESSEY CO LTD	POOLE	DORSET
ROSEMOUNT	BOGNOR REGIS	SUSSEX
SANGAMO WESTON LTD.	ENFIELD	MIDDLESEX

<u>COMPANY</u>	<u>TOWN</u>	<u>COUNTY</u>
SMITHS INDUSTRIES	BISHOPS CLEEVE	CHELTENHAM
SMITHS INDUSTRIES LTD	LONDON	
SMITHS INDUSTRIES LTD	BASINGSTOKE	HANTS
SMITHS INDUSTRIES LTD	CHELTENHAM	GLOUCESTER
SMITHS INDUSTRIES LTD	RUGBY	WARWICKSHIRE
SPERRY VICKERS	HAVANT	HANTS
ULTRA ELECTONICS LTD	LONDON	
ULTRA ELECTONICS LTD	GREENFORD	MIDDLESEX
WESTLAND HELICOPTERS LTD	YEOVIL	SOMERSET
WESTLAND HELICOPTERS LTD	BLETCHLEY	MILTON KEYNES
WOODVILLE POLYMER ENG LTD	BURTON-ON-TRENT	

NB. THIS LIST INCLUDES SUPPLIERS FOR THE AIRFRAME AND AVIONICS BUT DOES NOT INCLUDE ROLLS ROYCE OR THEIR SUPPLIERS.