

S E C R E T



PRIME MINISTER

ROLLS-ROYCE

As agreed at our meeting on 2 March I have put to Lord McFadzean the proposal from Warburgs that there should be discussion between Rolls-Royce and Pratt and Whitney about the possibility of some association between the two companies. Before I did so, Warburgs had further confirmed that Harry Gray, the Chairman of United Technologies, Pratt and Whitney's parent company, would be ready to come to London for a discussion if it were to be confirmed that there appeared to be value in his doing so.

2 Lord McFadzean was somewhat sceptical about the real intentions underlying Pratt & Whitney's reported interest. I emphasised to him, however, that the Government was concerned about the prospects of a continuing financial burden for taxpayers if Rolls-Royce continued to engage their American rivals in head-on competition and also underlined the limited prospects on the defence side of the business. He agreed, therefore, to reflect on whether he would be willing to meet Mr Gray and suggested that the Government should tell Warburgs that, if Mr Gray had a proposition to make, he should make contact with Rolls Royce direct. He is, however, inclined to defer the approach until another potential sale to a US airline had been completed.

3 I am seeing Lord McFadzean again on 23 March and intend to tell him that I propose to speak to Warburgs as he suggested without further delay. I shall also make clear to him that the Government

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would wish him to discuss in advance the objectives he would have in mind, in any discussion with Pratt and Whitney and to keep us in touch with subsequent developments.

4 I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Defence, Sir Robert Armstrong and Robin Ibbs.

KJ

K J

20 March 1981

Department of Industry  
Ashdown House  
123 Victoria Street

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PRIME MINISTER

Keith Joseph has seen Frank McFadzean, who has responded - reasonably enough - that if Pratt and Whitney have a proposal, they should put it direct to him.

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T. P. LANKESTER

A handwritten signature in dark ink, appearing to be 'T.P.L.' or similar initials.

20 March, 1981.