

MT

① Steel or John Brown



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From the
Minister of State

② Cruise Shipping
are you up-to-date

PS/Norman Lamont MP

③ Enlargement
Italy, Lebanon

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

2 July 1982

Dear John,

PRIME MINISTER'S VISIT TO ITALY

We understand from Rolls Royce that during the Prime Minister's visit to Italy next week the Italian Government are likely to mention Rolls Royce's campaign to obtain Alitalia orders for RB211-535 engines on Boeing 757 aircraft.

As it is important to Rolls Royce's world-wide campaign that they should obtain the Alitalia order, we would suggest that the Prime Minister should raise this with the Italians even if the Italians themselves do not mention it. A suitable briefing note for this purpose is attached.

Yours sincerely
Cecily

CECILY MORGAN
Private Secretary

very important - new
collaborative programme

↳ Littori Messagerie
to replace Scallap
Need to exploit commercial
opportunities for Dept of Ind.

Do not release
Do not release

Very important for Westlands.

Sea Harrier - Through desk Cecily
Giuseppe Caribaldi

10.

The Rolls-Royce RB211 in the Boeing 757 for Alitalia

1. Alitalia, the Italian state-owned airline, are considering purchase of 15 Boeing 757 aircraft with either the RB211-535 or the Pratt & Whitney 2037 engines. Alitalia's decision is of significant strategic importance to Rolls-Royce (RR) in the current depressed state of the airline market because the order is substantial and a quick purchase of the 535 could prompt Pratt & Whitney to withdraw the 2037.
2. A statement to Italian Ministers in support of the 535 programme would assist the Rolls-Royce campaign.

Background

3. The 535 is the launch engine for the Boeing 757 180-seat short/medium haul airplane and first production models will be delivered to British Airways and Eastern Airlines at the end of this year. The 2037 is available by the end of 1984.
5. To date 7 of the 8 customers for the 757 have chosen the 535 rather than the 2037.
6. Alitalia are evaluating aircraft to replace their DC9 and 727 fleets. They are concentrating on choice between the DC9-80 (a new version of this aircraft with a US engine) and the 757. They may prefer to defer a decision. RR, and Boeing, are pressing for a quick purchase.
7. To this end, RR is proposing to Alitalia a unique financing package which is only able to be offered for a short period. Boeing are also making an extremely attractive offer.
8. There is no conflict with any other British product as Alitalia have already purchased the A300B.
9. RR accordingly need a decision from Alitalia and the Italian Government by the end of July. It will be to the advantage of the Italians to give very serious consideration to the RR offer.
10. A favourable outcome will guarantee sales for RR of at least £135 million on engines and spares for the initial 15 aircraft and there should be at least 10 more Alitalia aircraft. The Alitalia decision should also result in substantial sales to other airlines and could result in the 535 achieving a monopoly on the Boeing 757.

Airbus A320 and Italian Participation

The French Government are currently trying to interest the Italians in taking a share in the development and production of the Airbus A320 project. The French are trying to make Italian participation in this project dependent on Alitalia's

placing an order for A320's. It is not clear at present how Alitalia would reconcile purchase of A320's with the purchase of Boeing 757 aircraft, since there is an overlap between the two aircraft types.

Line to Take

If the Prime Minister is asked whether the UK Government is backing Rolls Royce at the expense of the A320 project, her answer should be:-

1 The choice of aircraft type is entirely commercial for Alitalia to decide. If Alitalia has to decide in favour of Boeing 757 at the expense of A320, this is Alitalia's affair. But if so, we hope Alitalia will specify the RR engine rather than the P&W 2037.

2 BAe (and the UK Government) as an existing partner in the Airbus Consortium are intensely interested in the A320 project. But like our German partners the UK has not yet reached a decision on the viability of the project and on the extent of UK Government financial support for BAe through launch aid.

3 [If necessary] Italian participation in the A320 project is a matter for all the Airbus Industry partners (UK, Germany as well as France) to decide in the light of current discussions [in Paris on 5/6 July] with the Italians. The decision is primarily a commercial one, to be taken by the industrial partners concerned. [It is therefore premature for me to take a view on possible Italian participation].

Handbook Commerce

① Lebanon

- West Beirut
Am. Embassy
Photo on
boats
No-man
land

Fairly steady

10,000

553

Red. of

Economy

Will to make every
effort. agreement
which is likely

Subscribers
Investment

②

Europe / U.S.

Steel / Shipbuilding
major investment.

Not keeping
solution

Danger economy of UK
Government interpretation

152 JUL 1982

12 11 22 33 44 55 66 77 88 99

③ Spain

Intergovernmental

Netto

Industries

H. I. B.

17-11

12/86

Pound 'horror' -

Problem emerges
to have commitment.

④