



JF4757

Prime Minister

① *NO*

*Mr Tebbit wishes to announce this tomorrow Wednesday. It has been agreed with Treasury.*

CONFIDENTIAL

*Content?*

PRIME MINISTER

ROLLS ROYCE RB 211-535 ENGINE PROGRAMME

*Yes not* <sup>AT</sup> 15/11

At E(A) on 27 July 1983 (E(A)(83)3rd) my predecessor presented a Memorandum (E(A)(83)5) on the question of launch aid for the RB 211-535 E4 engine. The Sub-Committee approved in principle the provision of launch aid, and gave Cecil Parkinson a mandate to establish the appropriate minimum assistance in negotiation with Sir William Duncan, the Chairman of Rolls-Royce, and to seek to agree with the Chief Secretary the public expenditure aspects.

2 Cecil took a strong personal interest in this issue, and himself conducted two meetings with Sir William, who then reluctantly put in a revised bid of £85m (as against the original request for £102m at outturn prices). I shared Cecil's conclusion however that we should cut back this figure still more sharply in view of the public expenditure position. I am convinced that the lower sum I have now agreed on with Peter Rees - £70m in outturn prices - does indeed represent the minimum launch aid assistance which would be appropriate.

3 Following these negotiations, it has fallen to me to settle with Peter Rees how the public expenditure aspects should be handled. We have agreed that £60m should be



provided in the current financial year, of which £45m will be found from the Contingency Reserve and £15m from savings elsewhere in my Department's budget, this provision being made in the Winter Supplementary Estimates. Only the final £10m will be included in the Public Expenditure Survey (for 1984/85).

4 It is an inevitable consequence of establishing a minimum figure by negotiation that the assistance finally agreed may not derive in any simple way from the total project spend. However, you will wish to know that the agreed assistance represents only approximately one-third of the incremental costs of the E4 development between 1982 and 1986, bringing our total contribution to the overall RB 211-535 project from 1979 onwards to some 47% of launch costs.

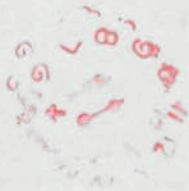
5 I propose with your agreement to announce this assistance by means of a written Parliamentary Question in the near future, making it clear that it is expected that we shall recover this new sum in real terms by means of a levy on sales of the E4 engine.

6 I am copying this letter to all Members of E(A) and to Sir Robert Armstrong.

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NT

7 November 1983

Ind Pol,  
Rolls Royce,  
PT 2



APR 8 -



NO 16



MJ

10 DOWNING STREET

*From the Private Secretary*

16 November 1983

*Dear Callum,*

Rolls Royce RB 211-535 Engine Programme

The Prime Minister has seen your Secretary of State's minute of 7 November. She is content with the terms of the proposed written Parliamentary Question on the launch aid to be provided for the development of the E4 engine.

I am copying this letter to the Private Secretaries to members of EA and to Richard Hatfield (Cabinet Office).

*Yours sincerely  
Andrew Turnbull*

ANDREW TURNBULL

Callum McCarthy Esq  
Department of Trade and Industry.

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