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DEPARTMENT OF TRADE AND INDUSTRY  
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From the Minister of State for Industry

AS/PM.  
PS/Lovell Trefgarne  
PS/Mr Butcher  
PS/Sir Brian Hayes  
Mr Croft  
Mr Allen  
Mr Michell - on return

Norman Lamont MP

Alan Bond Esq  
Chairman  
Airship Industries (UK) Ltd  
2 York Street  
LONDON W1H 1FA

Prime Minister (2) 31 July 1984

As expected, Mr Lamont has  
turned down Airship Industries.

Dear Mr Bond

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At your meeting with the Prime Minister on 6 July, I undertook to respond to your request for further Government financial assistance to Airship Industries (UK) Ltd for the Skyship 600 programme as discussed during the meeting and elaborated in your letter of 6 July 1984 to the Prime Minister.

I have given very careful and sympathetic consideration to the company's request for a further pre-production order in respect of the Skyship 600 as well as to your alternative request for launch aid. But I am afraid I have had to conclude that further support would not be justified. As you will realise, the Department is in receipt of many applications of merit for Government financial assistance; but in pursuance of the Government's policy on public expenditure and the desirability of reducing the burden on the tax payer, the Department's budget is limited and there are insufficient funds available to allow us to provide assistance to all applicants, let alone a second round of assistance. I realise that this decision will come as a disappointment to you but you will understand that we have many competing claims before us some of which must inevitably be refused.

Your request for a feasibility study and a revision of the lease terms for Cardington falls within the responsibility of the Ministry of Defence who will be writing to you shortly on these points.

Yours sincerely  
Norman Lamont

NORMAN LAMONT

Am: May with Bran Bond  
July 84



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AIRSHIP

INDUSTRIES (UK) LTD



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Ref.

Date 6 July 1984

Right Honourable Margaret Thatcher M P  
10 Downing Street  
LONDON

Dear Prime Minister

The purpose of this letter is to precis for you the points under discussion at our meeting today; in the hope that this might assist you in consideration of the case for Governmental support for Airship Industries (UK) Ltd. In summary form, the points are as follows:

1 Company Status and Achievement

I describe to you a company which has progressed in a remarkably short time from a small band of enthusiasts working on a high risk research project, to a significant new force in Britain's Aerospace Industry, employing some three hundred in its' direct and indirect activities.

The product to date is two fold; first a small but commercially viable airship, Skyship 500, which has progressed through design and development to the point of achieving full Passenger Transport Certification and has already penetrated the hard markets of the USA and Japan. Second, the Company has produced and flown a stretched version, Skyship 600, which is seen as having an acknowledged market in the world para-military surveillance scene.

The Company has reached the status of being recognised by the U.S. Department of Defence, and by the electronics giant Westinghouse, as being a lead contender in bidding for a design and built competition for a very large airship for airborne early warning/command and control/ anti submarine roles with the U.S. Navy's battle groups. Success in this competition would not only carry obvious export benefits, but would place a design "on the shelf" against future U.K. defence needs.

All the above has been achieved on essentially private sector funding, with the sole exception of a short term loan of £1.25m under the Trade and Industry Department's pre-production order scheme.

2 Potential

We believe that the Company's current and future designs have significant potential in a variety of ways:

First the Skyship 600, planned for series production, provides a cost effective option in surveillance roles and is particularly suitable for Exclusive Economic Zone policing work. Because of its low requirement for a development support infrastructure it is highly attractive for performing its role in remote areas and this for export to Third World Countries.

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Secondly the larger airships, typified by the design project "Skyship 5000" will be effective in the defence role of maritime force support; acting as a "force multiplier" with current airborne early warning aircraft and thus effecting overall economics in the total inventory requirement.

Thirdly, we believe there are realistic technology "spin-off" benefits for the aerospace industry in such aspects as:

Application of the fibre-optic control technology being successfully developed jointly with Marconi, with the airship as a vehicle; adding impetus to the development of structural composite materials by the light aircraft industry;

Providing an export framework for product of the defence electronics industry, and supplying an economical "Skylab" vehicle for use in other research and development activities.

### 3 The Problems

The Company's progress to a self sustaining revenue situation has been protracted; due not least by the necessity for the government's certification agency, the CAA, to develop with us a realistic set of airworthiness standards for a modern airship. This process is now largely complete, leaving the UK as the only country with an effective airworthiness code, but has resulted in our consumption of some £15m of privately raised development funds. To maximise our chance of being awarded the prize of a U.S. funded development of a large airship, we need to be strengthening our design team now; at the very point where our resources are most strained.

Further, to maintain the momentum toward a secure future, we need to launch the Skyship 600 into quantity production; this will require funding which, although very modest compared with conventional aircraft, is very significant for us.

We have of course approached your governmental departments to discuss assistance programmes. We have spoken with Lord Trefgarne and Mr. Pattie on the possibility of defence funding, but in the absence of a stated defence staff requirement and of financial provision in forward costings, the funds which could be made available taking also into account budget restrictions, are of small order. We have also approached Mr. Lamont of Trade & Industry for support under the pre-production order scheme by purchase of the development Skyship 600 prototype for some £2m. He is considering our request, but again we cannot be encouraged by the prospects of any substantial funding assistance.

Another, and very worrying, problem is the security of tenure of our present lease of assembly space in the large airship hangar at RAE Cardington. We understand that this facility is likely to be offered for disposal together with the adjacent land which we use for airship operations.

We have of course looked elsewhere for assistance. In the course of assembling two airships for operation in the USA, we have achieved an agreement with Westinghouse for the effectively free use of an airship hangar in N. Carolina, and we have had substantial proposals for government assistance in Canada. We are convinced however that the corporate base of the Company should be retained in UK, where the primary assembly line is close to our major component manufacturers in England, France and Germany. We are sure that you would share our concern that this exciting technological and industrial opportunity might be lost to this country because of the inability to find capital support here.

Possible Solutions

We are of course seeking further capital in the private sector. Six months ago, seven million pounds was raised by a rights issue in the UK, which the Bond Corporation underwrote and subscribed three million pounds. Of the further funding required for launch of the Skyship 600 into production, the Bond Corporation will undertake to subscribe another five million pounds, demonstrating its conviction of the potential of Airship Industries.

However, we believe that to be certain of ensuring a position which can build on the existing achievement, further launch funding is required and we would respectfully request that your government consider the application of funds for launch aid to the extent of £20million in some form of grant or long term loan.

Secondly, a funded feasibility or design study of the order of £0.5m would, if placed in the very near term, help enormously to prepare our team to compete in the US Navy's project; and lastly a solution to our problem at Cardington might be found in the grant or low rental lease of that facility.

Finally, may I express my sincere gratitude to you for sparing the time from your undoubtedly very busy schedule to permit our discussion today. In an attempt to respond to your kindness, may I place permanently on record my invitation to you to visit us at Cardington and fly in a new generation of airship.

James Lincoln  
Alan Bond