

RESTRICTED  
COVERING CONFIDENTIAL

C

CCP  
1/10



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

10 March 1985

Richard Mottram Esq  
Private Secretary to the  
Secretary of State for Defence  
Main Building  
Whitehall  
London SW1

*Pls bring forward  
when meeting  
arranged.*

*Dear Richard,*

EUROPEAN FIGHTER AIRCRAFT (EFA)

My Secretary of State wrote to yours on 14 March on the EFA, suggesting that it would be useful to have collective discussion of the various issues raised by your Secretary of State's proposals. You, and others to whom I am copying this letter and its attachment, may find it useful to have a short summary list of some of the issues that may arise.

2 I am copying this letter and its attachment to Andrew Turnbull (No 10), to Private Secretaries of other members of O(D), and to Richard Hatfield in the Cabinet Office.

*Yours ever,*

*Colin McCarthy*

M C MCCARTHY  
Private Secretary

JH1CCP





CONFIDENTIAL

## ISSUES RAISED BY PROPOSAL FOR EUROPEAN COLLABORATION ON EFA

### I Issues of Principle

The industrial aspects of EFA present the familiar problem of securing an equitable share of work for the UK aerospace industry, while at the same time satisfying the aspirations of our partners, particularly the French.

2 The UK aerospace industry is the largest in Europe. Rolls Royce is by turnover and number employed larger than the whole of the rest of the European aero-engine industry. British Aerospace, while perhaps less pre-eminent in size, has a range of products wider than that of any European aircraft company. It would be equitable, therefore, if the UK industry were to lead the project on both the airframe and engine and to gain a commensurate share of the equipment. In reality, there is no chance of achieving this, and collaboration will therefore almost inevitably lead to a relative decline in the British industry's position.

3 British Aerospace is leading the development and construction of an advanced technology fighter aircraft which is funded by the Government and a consortium of UK manufacturers. This programme (the Experimental Aircraft Programme) is due to produce a flying demonstrator by May 1986, and could form the basis of the EFA project.

4 Initial, and recognisedly incomplete, paper studies suggest that the cost to the UK of a national project would be some 15-20% dearer than a collaborative EFA. We need to be clear that these costings take proper account of the costs of collaboration. Against the theoretical cost saving must be set the aerospace industry's preference for a national project because of the greater opportunity to utilize the industry's resources and technology as developed by the Experimental Aircraft Programme.

5 A further option worth considering is whether, as recently suggested to DTI Ministers by Signor Prodi of the Italian IRI, a bilateral project between the UK and Italy, or the UK and Germany, would be feasible.

### II Tactics

6 Apart from the strategic decision on whether the benefits of collaboration outweigh the industrial costs likely to be incurred, there are a number of important tactical questions associated with negotiating the collaborative arrangements. These include:

JH1CCQ





i) should we make clear to our partners that we have not yet accepted that EFA must be a five-nation collaborative project? Other options to be examined include a national programme and licensed manufacture of a United States aircraft;

ii) is there a case for the UK to press for leadership both on the airframe and the engine of the EFA project? If we did so, a large proportion of the equipment requirements would follow. As a fall-back, both British Aerospace and Rolls Royce are prepared to accept equality with the French on each of these items, and would be content with a consortium arrangement (as for the Tornado) where there is no single lead company;

iii) what should be the separate UK negotiating position on equipment shares? This would be less important if we secured the front fuselage for BAe (compare Aerospatiale's strong position for securing French equipment on Airbus);

iv) what project definition should we seek? It is suggested that the aircraft should be of at least 9.75 tonnes basic mass empty, so that adequate equipment could be installed. No concession on this should be made to the French, who would be greatly suited by a 9.5 tonne or lighter aircraft. On engine size, the optimum thrust would be between 93KN and 95KN. This figure could be reduced in negotiation to 92KN, but to go any lower would make the engine unsuitable for EFA and limit Rolls Royce's chances of export sales; and

v) what project organisation should we seek? On organisation, the UK may in the end be prepared to concede a project office in Germany, but we should argue strongly for it to be in the UK. The project offices of virtually all the major collaborative projects in the aerospace field are on the Continent (for example, Tornado, Airbus, European Wind Tunnel, and the ASRAAM missile programme).

Department of Trade and Industry

18 March 1985

JH1CCQ



DEFENCE: Procurement:

Pt 2.

20 MAR 1965







MT2 AFE  
cat Policy Unit

10 DOWNING STREET

*From the Private Secretary*

22 March 1985

European Fighter Aircraft

BF-1  
As you will know, we have now arranged a meeting of Ministers principally concerned for after Cabinet on 25 April to discuss some of the issues raised by our possible participation in this project. Your Secretary of State undertook to produce a short paper to focus discussion. There is also the useful checklist of issues enclosed with Callum McCarthy's letter of 20 March to you.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Rachel Lomax (HM Treasury), Callum McCarthy (Department of Trade and Industry), Colin Budd (Foreign and Commonwealth Office), Richard Broadbent (Chief Secretary's Office) and to Richard Hatfield (Cabinet Office).

Charles Powell

Richard Mottram Esq  
Ministry of Defence.

Brc