



10 DOWNING STREET

THE PRIME MINISTER

4 April 1985

CE (TOD)
(Sent via
TOD)

Dear General Haig,

Thank you for your telex of 19 March 1985 about the new basic trainer for the Royal Air Force.

I expect you are already aware that we have decided to place the order with Short Brothers of Belfast, subject to the negotiation of detailed contractual points. Michael Heseltine announced this decision in the House of Commons on 21 March.

Our full and impartial analysis of the options showed that the British Aerospace PC-9 and the Shorts Tucano were both capable of meeting the RAF's requirements very satisfactorily. The Pratt and Whitney PT6A-62 engine was, however, judged to be more expensive to operate than the Garrett engine that is to power the Tucano.

The decisive factor in our choice of the Tucano was cost. The offer from Shorts was cheaper than the BAe tender by a clear margin. Either aircraft would have provided a similar number of jobs in the United Kingdom, taking account of the RAF order and potential export sales. I do assure you that we gave careful consideration to the proposals and undertakings made by Pratt and Whitney of Canada, including those relating to the location in the UK of the engine overhaul and maintenance facility, in reaching our final decision.

BTT

I hope that despite the outcome of the basic trainer competition an agreement can be reached between Pratt & Whitney and Rolls Royce on the RTM 322 engine which will be to the benefit of both companies, and that the engine overhaul facility will still be located in the United Kingdom.

Yours sincerely

Margaret Thatcher

Alexander M. Haig, Jr.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~583 7022~~ 218 2111/3

MO 26/11

3rd April 1985

Dear Charles,

RAF BASIC TRAINER AIRCRAFT

As requested in your letter to Richard Mottram of 20th March, I attach a draft letter which the Prime Minister could send in response to General Haig's telex on this subject. The draft has been approved by my Secretary of State.

I am sending copies of this letter and the enclosure to Callum McCarthy (Department of Trade and Industry) and to Len Appleyard (Foreign and Commonwealth Office).

Yours ever,

Denis

(D BRENNAN)
Private Secretary

C D Powell Esq
10 Downing Street

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Alexander M. Haig Jr
United Technologies Corp

DRAFT

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3 APR 1985



Office of
Alexander M. Haig, Jr.

CF PWS

*Already received
in Glex form
[Signature]*

March 20, 1985

Dear Madame Prime Minister:

As you are aware, the selection process for AST 412 (RAF NEW BASIC TRAINER) is entering into its final stages. I would like to highlight several factors that may help clarify some of the issues involved in the selection.

United Technologies Corporation (UTC) currently has over 6000 employees in the United Kingdom with 1984 sales in excess of \$300 million pounds sterling. Pratt and Whitney Canada (P&WC) is a wholly owned subsidiary of UTC and is supplying engines for all of the currently listed contenders for the AST. As the former President of UTC and currently a consultant to the Corporation, I have been following this important procurement competition very closely. It has been brought to my attention, that one of the finalists has decided to offer an engine which has not had any previous experience in trainer aircraft and has not been tested by Boscombe Down. PWC's engines power more than 850 training aircraft, have 1.5 million hours of service use, and have been evaluated by Boscombe Down.

In discussions with Mr. Elvie Smith, Chairman P&WC, it was indicated that agreement has been reached to establish a European overhaul and repair center in the Prestwick area of Scotland. Planned commercial business from Europe, the Middle East, and North Africa will support employment of 200 people by 1990 and 300 by 1995. Additionally, P&WC plans to assemble and test the selected PT-6 engine in England and to procure from component suppliers in the United Kingdom more than 100% of the value of the RAF order. This should provide employment for 100 more individuals.

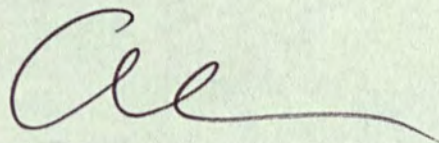
The experienced team of UTC, Pilatus, and British Aerospace bring extensive economic benefits to the United Kingdom as well as a proven export capability. The estimated potential export market for the PC-9 approaches 500 aircraft. I am confident that these benefits will continue to grow with the selection of the PC-9 for the RAF.

BONDED

P&WC is also currently in active negotiation with Rolls-Royce on licensing the RTM 322 for North American Military requirements. The U.S. Army has indicated an interest in RTM 322 in competition to the General Electric T-700 incumbent Engine, for its future and very substantial UH-60 Black Hawk Program. Should these negotiations be successful, the UH-60, powered by the Rolls-Royce RTM 322, with composites manufactured by Shorts in Northern Ireland would be a natural teaming for AST 404 requirements and would contribute additionally to the United Kingdom economy.

Hopefully, the above will assist you and your colleagues in arriving at your decision.

Warm personal regards,

A handwritten signature in dark ink, appearing to be 'Ae', written in a cursive style.

22AM MOTJAG QM081 0



10 DOWNING STREET

From the Private Secretary

20 March, 1985.

RAF Basic Trainer Aircraft

14.3.85

I enclose a copy of a telex to the Prime Minister from General Haig, Chairman of United Technologies Corporation, about the choice of the future RAF Basic Trainer Aircraft.

I should be grateful for a draft reply, once the decision has been taken.

I am copying this letter and enclosure to Callum McCarthy (Department of Trade and Industry) and to Len Appleyard (Foreign and Commonwealth Office).

(C.D. Powell)

R.C. Mottram, Esq.,
Ministry of Defence.

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THE RIGHT HONOURABLE MARGARET THATCHER
PRIME MINISTER
C/O THE CABINET OFFICE
LONDON, ENGLAND

DEAR MADAME PRIME MINISTER:

AS YOU ARE AWARE, THE SELECTION PROCESS FOR AST 412 /RAF NEW BASIC TRAINER/ IS ENTERING INTO ITS FINAL STAGES. I WOULD LIKE TO HIGHLIGHT SEVERAL FACTORS THAT MAY HELP CLARIFY SOME OF THE ISSUES INVOLVED IN THE SELECTION.

UNITED TECHNOLOGIES CORPORATION /UTC/ CURRENTLY HAS OVER 6000 EMPLOYEES IN THE UNITED KINGDOM WITH 1984 SALES IN EXCESS OF DLRS 300 MILLION POUNDS STERLING. PRATT AND WHITNEY CANADA /P AND WC/ IS A WHOLLY OWNED SUBSIDIARY OF UTC AND IS SUPPLYING ENGINES FOR ALL OF THE CURRENTLY LISTED CONTENDERS FOR THE AST. AS THE FORMER PRESIDENT OF UTC AND CURRENTLY A CONSULTANT TO THE CORPORATION, I HAVE BEEN FOLLOWING THIS IMPORTANT PROCUREMENT COMPETITION VERY CLOSELY. IT HAS BEEN BROUGHT TO MY ATTENTION, THAT ONE OF THE FINALISTS HAS DECIDED TO OFFER AN ENGINE WHICH HAS NOT HAD ANY PREVIOUS EXPERIENCE IN TRAINER AIRCRAFT AND HAS NOT BEEN TESTED BY BOSCOMBE DOWN. PWC'S ENGINES POWER MORE THAN 850 TRAINING AIRCRAFT, HAVE 1.5 MILLION HOURS OF SERVICE USE, AND HAVE BEEN EVALUATED BY BOSCOMBE DOWN.

IN DISCUSSIONS WITH MR. ELVIE SMITH, CHAIRMAN P AND WC, IT WAS INDICATED THAT AGREEMENT HAS BEEN REACHED TO ESTABLISH A EUROPEAN OVERHAUL AND REPAIR CENTER IN THE PRESTWICK AREA OF SCOTLAND. PLANNED COMMERCIAL BUSINESS FROM EUROPE, THE MIDDLE EAST, AND NORTH AFRICA WILL SUPPORT EMPLOYMENT OF 200 PEOPLE BY 1990 AND 300 BY 1995. ADDITIONALLY, P AND WC PLANS TO ASSEMBLE AND TEST THE SELECTED PT-6 ENGINE IN ENGLAND AND TO PROCURE FROM COMPONENT SUPPLIERS IN THE UK MORE THAN 100 PERCENT OF THE VALUE OF THE RAF ORDER. THIS SHOULD PROVIDE EMPLOYMENT FOR 100 MORE INDIVIDUALS.

EXPERIENCED TEAM OF UTC, PILATUS, AND BRITISH AEROSPACE BRING EXTENSIVE ECONOMIC BENEFITS TO THE UNITED KINGDOM AS WELL AS A PROVEN EXPORT CAPABILITY. THE ESTIMATED POTENTIAL EXPORT MARKET FOR THE PC-9 APPROACHES 500 AIRCRAFT. I AM CONFIDENT THAT THESE BENEFITS WILL CONTINUE TO GROW WITH THE SELECTION OF THE PC-9 FOR THE RAF.

P AND WC IS ALSO CURRENTLY IN ACTIVE NEGOTIATION WITH ROLLS-ROYCE ON LICENSING THE RTM 322 FOR NORTH AMERICAN MILITARY REQUIREMENTS. THE U.S. ARMY HAS INDICATED AN INTEREST IN RTM 322 IN COMPETITION TO THE GENERAL ELECTRIC T-700 INCUMBENT ENGINE, FOR ITS FUTURE AND VERY SUBSTANTIAL UH-60 BLACK HAWK PROGRAM. SHOULD THESE NEGOTIATIONS BE SUCCESSFUL, THE UH-60, POWERED BY THE ROLLS-ROYCE RTM 322, WITH COMPOSITES MANUFACTURED BY SHORTS IN NORTHERN IRELAND WOULD BE A NATURAL TEAMING FOR AST 404 REQUIREMENTS AND WOULD CONTRIBUTE ADDITIONALLY TO THE UK ECONOMY.

HOPEFULLY, THE ABOVE WILL ASSIST YOU AND YOUR COLLEAGUES IN ARRIVING AT YOUR DECISION.

WARM PERSONAL REGARDS,

ALEXANDER M. HAIG, JR.
UNITED TECHNOLOGIES CORPORATION

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UNITED TECHNOLOGIES (A) LTD
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