



## 10 DOWNING STREET

*From the Private Secretary*

30 April 1985

European Fighter Aircraft

The Prime Minister held an informal meeting of Ministers this morning to discuss the Government's approach to the proposed European Fighter Aircraft (EFA). The Foreign Secretary, the Chancellor of the Exchequer, the Trade and Industry Secretary, the Defence Secretary and the Chief Secretary were present.

The meeting considered the case for and against the EFA.

The starting point was the recommendation by the Ministry of Defence Equipment Policy Committee that the RAF's Phantoms and Jaguars would need to be replaced in their fighter role in the 1990s. The necessary funds for a replacement could be found in the MOD programme. The replacement could be met by a number of alternative means: by buying a US aircraft off the shelf or assembling it in the UK: by a national solution, that is designing and building the aircraft in the United Kingdom; or through European co-operation which might be in the five power EFA forum or some smaller group.

The Defence Secretary summarised the case for United Kingdom participation in the EFA. The first question was whether the EFA could meet the Royal Air Force's specifications. It was impossible to give a precise reply to this yet. What was clear was that all the various partners in the project had shown readiness to move from their initial positions both on the weight of the aircraft and the thrust of the engine. He believed that it would be possible to agree on a trade off between weight and thrust which would meet the RAF's needs. As regards cost there was no doubt that the cheapest solution would be to buy off the shelf from the United States or another country. But if we wanted to produce the aircraft in this country for industrial and strategic reasons, there was little doubt that a well managed EFA project would come out cheaper than a national solution. The calculations made by MOD officials suggested that the UK share of the EFA would amount to some £4.75 billion as against £6.1 billion for a national solution. The view of officials was that the gap could not

be significantly closed. The question of work-share was obviously of vital importance. He had heard, that at a meeting yesterday of the EFA participants a 25/25/25/15/10 work-share arrangement had been agreed together with a management structure of two separate consortia, one for the airframe and one for the engine, with provision also for a common radar. If confirmed this would be a major step forward and, in particular, evidence of a more realistic attitude on the part of the French industry. Although it would be desirable to have the project headquarters in the UK, this was not in practice negotiable. It was therefore likely that the headquarters for the project would be in Germany. As regards exports, agreement could probably be reached for different participants in the consortium to be allocated particular markets. A final consideration was the need for any new engine developed for the EFA to be compatible with the re-engining of Tornado. His original hope had been to see RB199 used as an interim engine for the EFA but it now appeared necessary to bring forward the production of a new engine. Discussion of the EFA was moving ahead rapidly and there would be a further Ministerial meeting in Rome on 16 May at which decisions would be needed.

A number of arguments were advanced against participation in the EFA. It was suggested that collaborative projects tended to be more expensive than necessary or than forecast because decisions were based on political compromises rather than on the technically best solution. Duplication of production lines also added unnecessarily to costs although it was recognised that this related mainly to final assembly which accounted for a modest proportion of the total cost. Moreover in the light of experience there were grounds to fear that the United Kingdom would lose industrially from a collaborative project. It was noted that not a single collaborative programme had its headquarters in the United Kingdom. There were particular grounds to fear that Rolls Royce might lose out on the development of the new engine even though they were technically far superior to the Snecma. There was also the consideration that we would need an upgraded engine soon for Tornado to enhance its export prospects. But if it was decided not to proceed with development of the RB199 for this there might be a delay in developing a new engine; and use of the new engine would mean giving the French a role in Tornado. Further it was important to get agreement on an engine which had a growth capacity up to 98 kilonewtons. Without this Rolls Royce would be at a crucial disadvantage vis-a-vis American producers in outside markets. This did not seem to be easily compatible with French interest in a low weight, low thrust, engine. Collaboration on airframe could also cause major difficulties. If the French were to be given the lead on this, British Aerospace would be eliminated as a credible designer of fighter aircraft and the interests of our avionics companies would be difficult to look after. In addition to these difficulties it was suggested that the French were still keeping open the option of a purely national aircraft. There was a risk that they would go along with the collaborative programme until they

had delayed UK plans, then unveil a national aircraft of their own.

In favour of a British national project it was argued that this was the surest way of allowing us to maintain a national capability. It would by definition mean that the United Kingdom had project leadership. A thorough assessment should be made of the claimed additional cost of this option over a European Fighter Aircraft and the extent to which the gap would be closed by the benefits of, for instance, collaboration between Rolls Royce and Pratt and Whitney on a new engine and of keener purchasing than would be possible within an EFA framework, if necessary from overseas.

Summing up the discussion, the Prime Minister said that the Defence Secretary and the Trade and Industry Secretary should produce a joint paper for OD which would examine the points raised in discussion and set out unresolved differences. The paper should contain the best possible estimate of the costs of alternatives to the EFA. It should also give a clear statement of our negotiating position for future discussion of the EFA, spelling out our bottom line on the crucial issues of weight, engine thrust, project organisation and leadership and the siting of the project headquarters.

I am sending a copy of this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Trade and Industry Secretary, the Chief Secretary and to Richard Hatfield (Cabinet Office).

Charles Powell

Richard Mottram Esq  
Ministry of Defence.



10 DOWNING STREET

*From the Private Secretary*

1 May 1985

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Ch. McCook

EUROPEAN FIGHTER AIRCRAFT

My letter of 30 April summarised the main points made in the Ministerial discussion that day of the European Fighter Aircraft. There was also some discussion of the politics of collaboration which should, I suggest, be given a more restricted circulation than the record of the rest of the meeting.

The Defence Secretary said that the politics of the decision on EFA was whether to allow the Franco-German axis to dominate European defence procurement. He had made considerable efforts over the past two years to weaken this axis: and he believed that the EFA project, if pursued on a "no winners, no losers" basis, would take this strategy a significant step forward by including the United Kingdom as a fully equal partner.

There was no dispute about the desirability of avoiding Franco-German domination. But it was suggested that a better strategy for achieving this was to try to detach the Germans from the French, and aim for a collaborative project involving them and possibly the Italians but excluding the French. German industry was generally keener on collaboration with the United Kingdom than with France and the record of our co-operation with them was reasonably positive, in stark contrast to the unsatisfactory experiences with France (though it was acknowledged that the blame for this lay with both sides). Hitherto the German Government had always opted for solidarity with France when confronted with a choice, and the balance of probability was that they would do so again if such a choice had to be made over the EFA. But we should not ignore the potential leverage which we had over the Germans in terms of our Forces on the Central Front; and should not necessarily shrink from using this leverage if the stakes were high enough.

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I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Chief Secretary (H.M. Treasury) and to Richard Hatfield (Cabinet Office).

CHARLES POWELL

Richard Mottram, Esq.,  
Ministry of Defence.

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