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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
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29/1

28 January 1988

Dear George,

EUROPEAN TRANSONIC WIND TUNNEL

Thank you for copying to me your exchange with Geoffrey Howe of 18 and 19 January. I believe we need to think very carefully before going forward with this project. Since we last considered it in 1985 the cost to the UK has doubled. We need to look again at the balance of costs and advantages.

The cost to the UK of the construction period and the initial 3-year operating period is now £63.8 million, as compared with the £33 million estimated in 1985. Nor have we any assurance that costs will not rise further. As Geoffrey Howe says, cost overruns are a feature of national and international projects; in either case, where costs rise, it is essential to reassess the project. This is no more than sound practice with large capital projects; and the Prime Minister has recently made clear the importance she attaches to this, particularly in relation to collaborative projects.

I believe therefore that we need a clear restatement of the expected benefits to the UK of ETW before taking our decision. Since you have indicated that there is no defence interest in the project, it would be helpful if David Young could provide an account of the expected benefits to UK industry and, in the light of these, any contribution we might anticipate from industry. It would also be useful to have the views of the Chief Scientific Adviser.

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I note what Geoffrey Howe says about our commitment. I do not believe the Prime Minister's letter to Chancellor Kohl could reasonably be regarded as a UK commitment to proceed, whatever the cost. This would entirely contravene the normal convention that collaborative projects proceed by stages, each requiring agreement. As you know, the MOU which we signed in 1986 covered only Phase 2,2; while there was a 'firm intention' to proceed to Phase 3, the MOU made clear that this would be the subject of a separate agreement.

I am copying this letter to the Prime Minister, Geoffrey Howe, David Young, John Fairclough and Sir Robin Butler.

Yours Ever,
John

JOHN MAJOR

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