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CABINET

AIRBUSES AND THE RB211 ENGINE

Memorandum by the Minister of Technology

1. The summary and conclusions in the paper by officials (CP(70) 74) bring out the conflicting and difficult issues which face us. The Cabinet may find it helpful to have my views, as the Minister responsible, on the issues as I see them.
2. The first issue concerns the kind of aircraft industry we want to see in Europe and the part we want the British aircraft industry (at present the most powerful in Europe) to play in it. On this I find myself in complete agreement with the views of the Foreign Secretary as expressed in paragraph 3 of his minute of 7 October 1970. The French, German, and other European Governments clearly attach great importance to the concept of a European aircraft industry as being worthwhile in itself and the only way of avoiding American domination in this field.
3. The BAC 311 and the RB211-61 offer the best prospect of maintaining an effective base for enabling us to play our full part in a European industry. Without the design capability, skills, organisation and experience of the British Aircraft Corporation (BAC) and Rolls-Royce, we should be weaker and Europe also. The balance of advantage is clearly against further involvement in the A300B. Hawker Siddeley are already partners in that project. It would not provide an adequate basis for launching the RB211-61 and it is difficult to see what advantages we could gain to compensate for the damage done to our own industry (BAC and Rolls-Royce in particular). Government re-entry would involve substantial expenditure without commensurate advantage.
4. I recognise that to undertake the BAC 311 and RB211-61 and Concorde will make it very difficult for me to meet my public expenditure targets for 1974-75 but a decision on the BAC 311 must be taken now and I am sure it would be wrong to accept now all the consequences of abandoning the project because of our inability to predict the outcome of the joint Anglo/French review of Concorde in March. The public expenditure implications of the Concorde decision must be faced at the time the decision has to be made.

5. In any event we must decide on the support that should be given to Rolls-Royce so that they can complete development of the RB211-22 and fulfil their contract with Lockheed. I will explain orally to my colleagues the difficulties now facing Rolls-Royce. Their difficulties are due in part to poor management and financial control; important steps have already been taken to improve matters but further action will be necessary.

6. Both BAC and Rolls-Royce now require our decisions quickly. I am sure, however, that if we decide for the BAC 311, the Foreign Secretary will wish for time to explain our reasons to the French and German Governments. I am myself due to see M Mondon on 20 October about Concorde; there would be great advantage in settling our Airbus policy before that date.

7. In my judgment, the BAC 311 should be supported both on its own merits and as an essential foundation for the future. Success cannot be guaranteed, but the potential prizes are great, and in a much wider context than the projects themselves.

J D

Ministry of Technology SW1

9 October 1970

