

PRIME MINISTER

Aerospace Presentation

Tomorrow's presentation is intended to set out the background to major investment decisions which have to be taken soon (especially the Aerobus A320 and the Rolls Royce V2500 engine).

Briefing is attached as follows:

Flag A	DTI brief
Flag B	Supplementary brief by Policy Unit, including
Flag C	Rolls Royce
Flag D	British Aerospace
Flag E	Background note on the aerospace industry.

A list of those attending the presentation is opposite.

The proposed timetable is as follows:

1600 1535	Preliminary meeting of Ministers
1605 1540	British Aerospace presentation
1650 1640	Break for Ministerial discussion, and tea
1700 1650	Rolls Royce presentation
1745 1750	Rolls Royce depart
	Ministerial discussion until 1800, if required.

Duty Clerk

David Barclay

15 November 1983

AEROSPACE BACKGROUND1. UK Companies in Aerospace

The two largest UK aerospace companies are British Aerospace (sales £2 billion, employees 77,000) and Rolls Royce (sales £1½ billion, employees 40,000). Other major contributors include Westlands (helicopters), Shorts (general aviation, aircraft components and missiles), together with component and electronics suppliers - Dunlop Dowty, Fairey, Plessey, RACAL, Smiths, and Thorn-EMI.

Since the Second World War, the UK has been steadily driven out of wholly indigenous civil and military aircraft projects, principally by US companies who enjoy natural advantages of a large domestic market and huge defence programmes.

In shrinking, the UK aerospace industry has had to resort to serving market niches, or to acting as sub-contractors, or to collaboration, or all three. Only Rolls Royce has maintained a wide product range in defiance of its main US competitors, but in so doing it went bust in 1971 and has since absorbed more than £1 billion of taxpayer subvention.

A moderated European response to the US dominance of the civil airframe market emerged with the formation of Airbus Industrie, in which British Aerospace has a 20 per cent share. AI is a French "groupement d'Interet Economique" (a sort of partnership). It publishes no accounts, but can only have lost heavily since inception.

The principal lessons about aerospace which can be learned from UK history and current industry structure are:

- The business, especially the civil business, takes too much risk for the money it makes.
- Product specialisation and internationalisation are increasingly the order of the day. This makes it less justifiable to support national "leading" airframe contractors because of their pull-through effect on national component suppliers.
- UK defence expenditure on aerospace (some £2 billion per annum on R&D and production purchases) is now the dominant influence on UK aerospace effort. MOD procurement practice and export prices obtainable for military aerospace equipment are very often used to sustain break-even or loss-making civil aerospace work.

Aerospace Employment and Output

The Society of British Aerospace Constructors (SBAC) estimate around 230,000 jobs and an output of £5 billion per annum, of which between 40 per cent and 50 per cent is exported. Rolls Royce and British Aerospace account for about half the employment of the UK aerospace industry and some 70 per cent of its output by value.

3. Civil Support - Launch Aid

The 1949 Civil Aviation Act enabled Launch Aid to be paid against civil aerospace projects approved by the Government. Launch aid is recoverable by means of a levy which Government negotiates with the company concerned (which may be either public or private sector). There is no fixed percentage of launch costs which should be provided by means of launch aid, although 50 per cent is the usual maximum. Against such a background, British Aerospace's claim for 100 per cent launch aid on the A320 wing and the Advanced Turboprop Aircraft are surprising.

Since 1949, some 40 aerospace projects have received launch aid, and only two (the Rolls Royce Dart engine and the Vickers Viscount aircraft) have repaid it in real terms.

In the current year, the DTI budget includes £52 million for aircraft and aeroengine projects. This is an uncharacteristically low figure. The total has been as high as £220 million when Rolls Royce's needs have been greater.

Given the Government's intention to reduce the burden of public expenditure, we doubt whether it can contemplate support for major new civil projects as well as continuing its aerospace defence expenditure.

ROLLS ROYCE1. Corporate Vignette

In 1982, Rolls had sales of £1,493 million and capital employed of £724 million, on which it lost £129 million after interest. Currently, military (MOD and export) sales account for 45 per cent of turnover; civil engine sales for 34 per cent; and all other activities for 21 per cent. Broadly speaking, military sales are profitable, "other" (principally industrial and marine) applications break even, and civil sales cause losses. Rolls is not expected to return to profit until 1986, and on present forecasts is a poor candidate for privatisation before 1988.

The company has a wide product range, from small helicopter engines to large fanjets for the Boeing 747. But in volume terms, Rolls is far smaller than its major US competitors, Pratt and Whitney (PW) and General Electric (GE).

Rolls is rapidly reducing its work force. It stood at 57,000 in 1980, 44,000 in 1982, and should be down to 35,000 by end 1984. A new Chairman, Sir William Duncan (ex-ICI) took over in April 1983.

2. The Strategic Issues

- i. Rolls' plans envisage a major shift from military to civil sales during the rest of the 1980s. Their MOD business is bound to contract (because of the shape of the aircraft procurement programme) but Rolls' share of the civil business is not bound to rise (because of competitive pressures). So, how feasible is Rolls' planned shift? Could they try a smaller engine range instead? Or gradually withdraw from some civil engine sectors?
- ii. What do Rolls see as their current and prospective strengths and weaknesses against competitors? Is their relatively small scale a decisive disadvantage?
- iii. So far, Rolls have worked collaboratively on certain specific engines, such as the proposed V.2500 collaboration with PW and others. Should they now collaborate on all new engines or derivative developments? Is a merger with another company or consortium desirable or inevitable? Rolls' large engine family, the RB.211, has absorbed nearly £1 billion of public money to date.
- iv. Is Aerospace a Special Case? Do Rolls believe that Government should take other than a commercial view of the UK aerospace sector?

BRITISH AEROSPACE1. Corporate Vignette

In 1982, BAe had sales of £2,053 million and a trading profit of £113 million, although launch costs and £100 million of exceptional items produced a final net loss of £23 million. Military aircraft represented 49 per cent of total sales; missiles were 25 per cent; space 6 per cent; leaving civil aircraft and aircraft structures at 20 per cent. BAe's civil aircraft work is loss-making, and the company is sustained by profits on MOD purchases of missiles and aircraft, together with the exports which these make possible.

BAe employs 77,000 people, a figure which is only slowly reducing. Some 20,000 are engaged on civil aircraft work.

The Government owns 48.4 per cent of the BAe equity, and is committed to keeping a stake of 25 per cent "for the foreseeable future". At the current share price, HMG could raise about £85 million by selling 23.4 per cent of the BAe equity, but DTI and BAe are worried about the market's interpretation of such a sale.

BAe have submitted to DTI their case for launch aid for wings for the Airbus Industrie A320, a new 150-seat aircraft scheduled for production in 1988. They are seeking 100 per cent aid, equivalent to £461 million. They will also explain their case for 100 per cent launch aid (£150 million) for the Advanced Turboprop Aircraft, which is intended as a replacement for the present BAe 748 Turboprop.

2. The Strategic Issues

- i. What unique strengths does BAe have which enable it to take on larger competitors overseas? Are there merger possibilities as well as opportunities for collaboration?
- ii. Do BAe's new civil projects (participation in A320, plus the BAe 146, plus the Advanced Turboprop Aircraft) make up a profitable package of additional civil business?
- iii. Do BAe need a major new military aircraft programme as well as the civil programme? What would BAe's priorities be if HMG could not afford/did not wish, to support both?
- iv. Should HMG take other than a commercial view of the UK aerospace sector? BAe will almost certainly lay stress on the "strategic industry", ie non-commercial, view of Airbus Industrie which the French and Germans appear to take.

AEROSPACE PRESENTATION: 16 NOVEMBER, 1983

Those attending:

H.M. Government

The Prime Minister

Dept. of Trade and Industry

Secretary of State
Minister of State
Mr. Pryor

Foreign and Commonwealth Office

Foreign Secretary
Mr. Adams

H.M. Treasury

Chancellor
Chief Secretary
Minister of State

Dept. of Employment

Secretary of State

Ministry of Defence

Mr. Pattie

No. 10

Mr. Young
Mr. Barclay

British Aerospace

Sir Austin Pearce (Chairman)
Sir Raymond Ligo (Corporate
Managing Director)

Mr. Bernard Friend
(Corporate Finance Director)
Mr. Ivan Yates (Chief Executive,
Aircraft Group)

Rolls Royce

Sir William Duncan (Chairman)
Mr. J. A. Rigg (Finance Director)
Mr. R. H. Robins (Director Civil
Engine Group)
Mr. A. Warrington (Company Secretary)
Mr. D. A. Marshall (Head of Business
Planning)

Welsh Office

Mr Studdling - Thomas

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MR TURNBULL

Prime Minister

B 15 November 1983

AEROSPACE PRESENTATIONS - 16 NOVEMBER 1983

British Aerospace and Rolls Royce (in that order) are to give presentations. They will see their presentations as an important opportunity of seeking the Prime Minister's backing, however informally, for their project proposals ahead of formal scrutiny by departments, MISC 25 and, if necessary, Cabinet.

In partial defence against a narrow-based hard sell, two ground rules have been established:

1. Both companies are to concentrate on strategy issues. Without an understanding of the two companies' strategies, Government is much too easily picked off to approve or reject specific project proposals. At least four will be advanced on 16 November, with a total claim on the Exchequer in excess of £700 million.

Project	Company	Launch Aid Wanted	Government Percentage
V2500 engine	Rolls Royce	£113m	50
RTM 322 helicopter engine	Rolls Royce	£18m	50
A320 wings	British Aerospace	£454m	100
Advanced Turboprop Aircraft	British Aerospace	£150m	100

2. Both companies are to deal primarily with civil projects. MOD and export military business is important to both, but their key problems and claims upon Government turn principally upon success in civil programmes.

Our recommendation for 16 November is that the Prime Minister and Cabinet colleagues remain interested but uncommitted. Soundly based decisions are not feasible before January/February 1984/

Attached are brief notes and questions on aerospace generally, and on Rolls and BAe particularly.


ROBERT YOUNG

15 November 1983

MR TURNBULL

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ROBERT YOUNG

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10 DOWNING STREET

PRIME MINISTER

Aerospace Presentation

Bob Young would like to
represent the Policy Unit
at the Aerospace presentation
tomorrow. Ferdie supports
this. Agree?

DAVID BARCLAY

15 November, 1983

MR. TURNBULL

AEROSPACE PRESENTATIONS - 16 NOVEMBER

I attach a brief brief which I hope is helpful. Although I am due out of the office today (Tuesday) I can come back in a hurry if you would like it redrafted.

Some weeks ago, Ferdy Mount mentioned to the Prime Minister that he would like me to represent the Policy Unit at the presentation, and I believe she agreed. Could I please ask you to confirm that this is still so?

R.Y.

ROBERT YOUNG
15 November 1983

cc Mr. Mount
Mr. Redwood

MR. TURNBULL

AEROSPACE PRESENTATIONS - 16 NOVEMBER 1983

Rolls Royce and British Aerospace (in that order) are to give presentations. Both companies will emphasise that Government has acquired an ineluctable role in aerospace:

- as owner, financier and guarantor of Rolls Royce
- as largest single shareholder, and potentially largest financier of BAe
- as customer, through MoD purchases, in the case of both companies
- as sponsor of high technology industry within and beyond these two companies.

Rolls and BAe will see their presentations as an important opportunity of seeking the Prime Minister's backing, however informally, for their project proposals ahead of formal scrutiny by departments, MISC 25 and, if necessary, Cabinet.

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Our recommendation for 16 November is that the Prime Minister and Cabinet colleagues remain interested but uncommitted. Soundly based decisions are not feasible before January/February 1984.

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The principal lessons about aerospace which can be learned from UK history and current industry structure are:

- the business, especially the civil business, takes too much risk for the money it makes
- product specialisation and internationalisation are increasingly the order of the day. This makes it less justifiable to support national "leading" airframe contractors because of their pull-through effect on national component suppliers
- UK defence expenditure on aerospace (some £2billion per annum on R and D and production purchases) is now the dominant influence on UK aerospace effort. Mod procurement

practice and export prices obtainable for military aerospace equipment, are very often used to sustain break-even or loss making civil aerospace work.

2. Aerospace Employment and Output

Because of classification difficulties, an aerospace component of the UK economy is difficult to isolate. The Society of British Aerospace Constructors (SBAC) estimate around 230,000 jobs and an output of £5 billion per annum, of which between 40% and 50% is exported. If these figures are even broadly correct, the two companies presenting on 16 November account for about half the employment of the UK aerospace industry and some 70% of its output by value.

The notes in Annexes B and C make clear how decisively important defence is to Rolls Royce and British Aerospace. The influence of defence on the aerospace industry as a whole is thus visible both in the aggregate and in the particular.

3. Civil Support - Launch Aid

Government financial support for the civil aircraft industry was given formal shape in the 1949 Civil Aviation Act, which enabled Launch Aid to be paid against civil aerospace projects approved by the Government. Launch aid is recoverable by means of a levy which Government negotiates with the company concerned. There is no fixed percentage of launch costs which should be provided by means of launch aid, although 50% is the usual maximum. (Against such a background, British Aerospace's claim for 100% launch aid on the A320 wing and the Advanced Turboprop Aircraft are surprising.) Launch aid is available to public sector and private sector companies alike. Government does not usually seek recourse if forecast sales and levies are not achieved.

Since 1949 some 40 aerospace projects have received launch aid, and only two (the Rolls Royce Dart engine and the Vickers Viscount aircraft) have repaid it in real terms.

In the current year, there is provision in the DTI budget for £52 million for aircraft and aeroengine projects. This is an uncharacteristically low figure, which has been as high as £220 million when Rolls Royce's needs have been greater.

/The aggregate bids

The aggregate bids of the two companies for four aerospace projects amount to over £700 million and thus represent a sustained and substantial thrust into civil aviation projects. It must be doubtful whether, given the Government's intention to reduce the burden of public expenditure, it can contemplate support for major new civil projects as well as continuing its aerospace defence expenditure.

ROLLS ROYCE1 Corporate Vignette

In 1982 Rolls had sales of £1493 million and capital employed of £724 million, on which it lost £129 million after interest. Currently, military (MoD and export) sales account for 45% of turnover; civil engine sales for 34%; and all other activities for 21%. Broadly speaking, military sales are profitable, "other" (principally industrial and marine) applications break even, and civil sales cause losses. Rolls is not expected to return to profit until 1986, and on present forecasts is a poor candidate for privatisation before 1988.

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2. The Strategic Issues2.1 The civil/military mix

Rolls' plans envisage a major shift from military to civil sales during the rest of the 1980s. Their MoD business is bound to contract (because of the shape of the aircraft procurement programme) but Rolls' share of the civil business is not bound to rise (because of competitive pressures). So, how feasible is Rolls' planned shift? What are the other major strategy options? (Prime Minister - you may care to try Rolls out on, for instance, a smaller engine range, or a gradual withdrawal from some civil engine sectors).

2.1 Rolls versus Competitors

What do Rolls see as their current and prospective strengths and weaknesses against competitors? Is their relatively small scale a decisive disadvantage?

2.3 Rolls and Collaboration

So far, Rolls have worked collaboratively on certain specific engines. The proposed V.2500 collaboration with PW and others is the latest example. Is it now necessary to contemplate collaboration on all new engines or derivative developments? Is a merger with another company

or consortium desirable or inevitable? (Prime Minister - you may care to note that Rolls' large engine family, the RB.211, has absorbed nearly £1 billion to date.)

2.4 Is Aerospace a Special Case?

Do Rolls believe that Government should take other than a commercial view of the UK aerospace sector?

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2. Strategic Issues2.1 BAe versus Competitors

What unique strengths does BAe have which enable it to take on larger competitors overseas? Beyond collaboration on specific aircraft, are there realistic merger opportunities for BAe in what is, after all, a truly international business?

2.2 The Civil Sector

What are the underlying requirements for commercial success in the civil aircraft field? Do BAe's new civil projects (participation in A320, plus the BAe 146, plus the Advanced Turboprop Aircraft) make up a profitable package of additional civil business?

2.3 The Civil/Military Mix

Do BAe need a major new military aircraft programme as well as the civil programme? What would BAe's priorities be if HMG could not afford/did not wish, to support both?

2.4 Is aerospace a special case? Should HMG take other than a commercial view of the UK aerospace sector? (Prime Minister -BAe will almost certainly lay stress on the "strategic industry", ie non commercial view of Airbus Industrie which the French and Germans appear to take.)



JF4830

PS/ Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

14 November 1983

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear David

PRIME MINISTER'S PRESENTATION ON AEROSPACE : 16 NOVEMBER 1983

... Attached is a brief for the Prime Minister for this presentation which has been cleared with my Secretary of State.

2 We discussed the batting order for Rolls Royce and British Aerospace and as we agreed, I have told the companies that Rolls Royce should arrive at about 3.20pm at No 10 and British Aerospace at about 4.30pm.

*now
revised
because of
late
announcement.*

3 I am sending copies of this brief to John Gieve (Chief Secretary's Office), Adam Peat (Secretary of State for Wales' Office) and to Alan Kemp (Mr Geoffrey Pattie's Office).

Yours ever
Steve

STEPHEN NICKLEN
Private Secretary

Encl



I think this must be the presentation on aerospace

ROLLS-ROYCE LIMITED

C. M. Taylor

11th November 1983

PO Box 31, Derby DE2 8BJ, England
Telegrams: ROYCAR DERBY, Telex: 37645
Telephone: Derby (0332) 42424 Ext.

Mr. S. Nicklen,
Private Secretary,
Secretary of State for Trade & Industry,
Room 803,
1 Victoria Street,
London SW1H 0ET.

*thus
15/11*

Dear Stephen,

In order to remove any points of doubt which may exist and because I understand that No.10 will be looking to you for guidance on the arrangements for the meeting on 16th November, I am confirming:

- i) That the Rolls-Royce party is planned to be
Sir William Duncan, Chairman
Mr. J.A. Rigg, Finance Director
Mr. R.H. Robins, Director Civil Engine Group (CEG)
Mr. A. Warrington, Company Secretary
Mr. D.A. Marshall, Head of Business Planning CEG
- ii) That Mr. Taylor, the Office Manager at No.10 has made arrangements for a screen to be in position and we will be delivering a vugraph projector for back screen projection. Mr. Marshall is arranging this and, as agreed by Mr. Taylor, will arrive at 2.15 pm.
- iii) That Mr. Taylor has said he would arrange to have a lectern with a light in position for use at the presentation.
- iv) That as we understand Sir William's presentation will be first on the agenda, which he welcomes, our party will arrive at approximately 3.20, ready for 3.30.

I am copying this letter to Andrew Turnbull at No.10.

Yours sincerely,

A. Warrington
A. Warrington



PRESENTATION BY ROLLS-ROYCE AND BRITISH AEROSPACE TO THE
PRIME MINISTER: 16 NOVEMBER 1983

This presentation was originally sought to enable the new Chairman of Rolls-Royce to present to Ministers collectively his strategy for the Company's future, following his initial internal review. The recently-announced proposal for the collaborative V2500 engine forms part of this strategy review. To give the Prime Minister a better overall picture of the aerospace industry, the Chairman of British Aerospace will also give a presentation on his own Company's corporate strategy and on the place within this of the launch aid application to enable BAe to participate in the Airbus A320.

The Civil Aerospace Market

2 Both Rolls-Royce and BAe have their sights firmly fixed on the market for narrow-bodied short and medium-haul jet aircraft of between 135 and 225 seats. A substantial proportion of existing narrow-bodied fleets will have to be phased-out in the latter half of the 1980s because of (a) more onerous noise restrictions, (b) the need for greater fuel efficiency and (c) increasing obsolescence. DTI's own market analysts estimate that, in the 20 year period 1988-2007, sales of narrow-bodied aircraft will be approx 2400-3000 (USA 45%, Europe 24%, other developed countries 9% and Third World 22%). This is by far the most promising sector of the civil aircraft market for the rest of the century (as a largely replacement market, it is subject to less uncertainty than the - largely growth-determined - market for wide-bodied aircraft).

3 Airbus and BAe see a particular market slot for the 150-seat new technology A320. This would be in competition with existing or future derivative aircraft (currently the McDonnell Douglas MD-80 range and the Boeing 737-300: potentially the Boeing 737-400/500). Alternatively, in response to A320, Boeing may at some stage launch a new technology aircraft of their own, the 7-7. DTI's own market analysts suggest that, in the period 1988-2007, A320 sales could be in the range 750-1000 (50% in Europe, 15% in USA, 10% in other developed countries, and 25% in the third world). Estimated sales for the Boeing 7-7 over the same



period are in the range 1300-1700.

4 The V2500 engine would provide the necessary new technology power plant for A320 (and for the Boeing 7-7 and some of the derivative aircraft): as matters currently stand, no other new technology engine is likely to emerge in this category. DTI's estimate is that V2500 sales over 20 years would be in the range 2600-5500. The figures towards the low end of this range assume that A320 and Boeing 7-7 are not launched: those towards the top end assume the vigorous development of new 150-seat types.

5 Airbus aim to bring the A320 into airline service by the Spring of 1988 (initially using a derivative Franco-US engine, the CFM56-4). Aeroengines generally take longer to develop than airframes: the V2500 is nonetheless expected to be available before the end of 1988. The A320 timescale reflects airlines' replacement needs. Unless a new technology product is available during 1988, a greater proportion of the replacement market will be taken by derivative aircraft.

The Future for Rolls-Royce and BAe

6 Major civil aircraft and aeroengine programmes are inevitably becoming fewer in number and larger in scale. The necessary level of investment has made international collaboration inevitable: Rolls-Royce with the V2500 engine are following the path already trodden by BAe in joining Airbus. Profitability will be dependent upon the achievement of long production runs: the Americans have had the better of us in the past because they could amortise their costs over a greater number of units and achieve significant learning curve benefits. We have to begin to match US economies of scale.

7 The Government's decisions on support for A320 and also for the 2500 will amount to a strategic judgement on the future orientation of UK civil aerospace policy. Neither firm can



undertake its share of the respective projects without launch aid. Although the V2500 would have potential applications to any 150-seat aircraft the A320 would provide a positive trigger for its development and production. In face of the V2500 challenge GE and SNCMA would face a difficult decision on the CFM56-4. Neither this engine nor further derivatives of it would be likely to match the performance of the newer V2500 and the choice would be to abandon it or to spend large sums on an engine which might still be uncompetitive. For Rolls-Royce and BAe there are no readily available alternative projects in this market: particularly for BAe non-participation would imply significant contraction.

8 Further information is given in the attached annexes.

AIR DIVISION

10 November 1983

SYNOPSIS OF V2500 LAUNCH AID APPLICATION BY ROLLS-ROYCE

£m:1983 Economic Conditions

- 1) Total V2500 launch costs : £753
- 2) Rolls-Royce's 30% share of 1) : £226
- 3) 50% launch aid request : £113
- 4) This requirement for 50% aid will have to be considered in the context of the Corporate Strategic Plan (1983-1992) to be submitted shortly by the new Chairman, as will the appropriate repayment schedule.
- 5) The 50% launch aid requested is spread as follows:-

1984	6.8
1985	18.4
1986	24.7
1987	20.7
1988	17.5
1989	13.2
1990	8.4
1991	3.3
	113.0
- 6) Rolls-Royce calculate that the return on investment (DCF yield) from their 30% share in the V2500 would be 9.5%. This assumes an exchange rate of £1=\$1.62, and the sale over 20 years of 3000 engines on two airframe applications - the A320 and a Boeing aircraft. With 2½ engines sold for each aircraft, this would involve sales over 20 years of 1200 aircraft powered by the V2500, 60% of the market assessed by Rolls-Royce to be available for aircraft of up to 160 seats powered by either the V2500 or CFM56.

SYNOPSIS OF BAe A320 LAUNCH AID APPLICATION

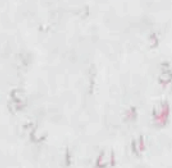
- a) Total A320 project development costs: £1,004m (January 1982 economic conditions).
- b) BAe's share of these development costs: 26% or £261m (Jan 1982 e.c.)
- c) plus BAe education costs: £58m (Jan 1982 e.c.)
- d) BAe's launch aid request is for 100% of b) + c): £319m (Jan 1982 e.c.)
- e) At January 1983 economic conditions (as used in Rolls-Royce V2500 case), this represents: £345m
- f) BAe justify 100% government financing on the grounds that they have borne, without launch aid from HMG, the development costs of other civil programmes (146, Jetstream 31, Airbus A310 and Airbus A300-600).
- g) Assuming 8% inflation, BAe translate their launch aid bid into the following schedule of expenditure in outturn or cash terms:

	£m
1983	7
1984	55
1985	73
1986	86
1987	95
1988	84
1989	46
1990	11
1991	4
	<u>461</u>

From 1989, these HMG payments would be offset by levy receipts so that the peak HMG "outflow" would be £439m by the end of 1989.

- h) BAe calculate that, on their own central assumptions (including an exchange rate of £1 = \$1.60 and sales of 700 A320s up to 2002), the real rate of return on the project (without launch aid) would be 4.2%.

Biospau
Sept 83
Presentation



14 NOV 1983