

Secretary of State for Industry

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Sir Frank McFadzean Chairman Rolls Royce Ltd 65 Buckingham Gate London SW1

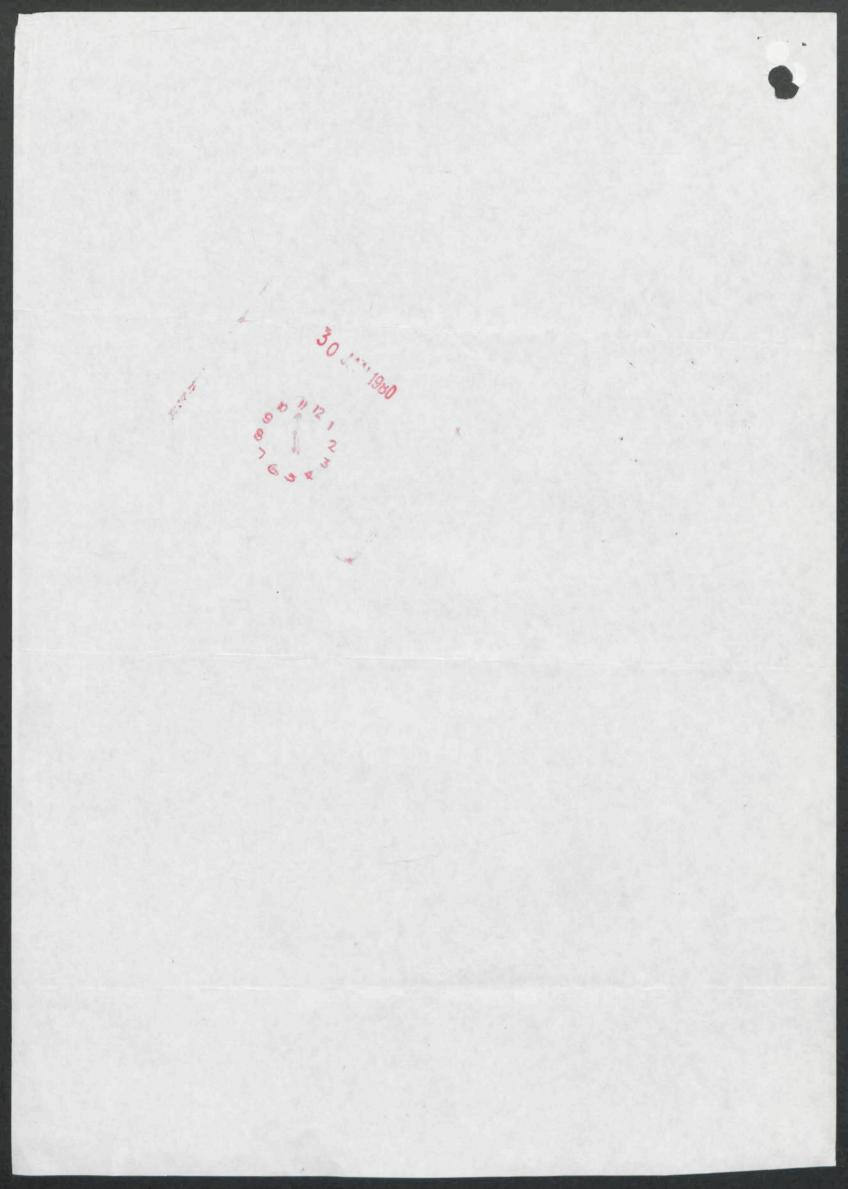
Dear Frank.

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Following signature of the Rolls Royce/Japan Collaboration Agreement and an examination of the information provided by the Company on the prospects for the collaborative development of the RB432, the Government is content that the Agreement on the Initial Launch Phase should enter into force.

I recognise that the Board of Rolls Royce has not yet taken any decisions whether it wishes to go beyond the Initial Launch Phase. You will equally appreciate that this approval does not imply in any way that the Government will give authority for full development of the engine. I think I should add that taking into account the very great uncertainties of the aero-engine business, on the information so far available to me the prospective rate of return from the project does not look adequately attractive.

Lum Keir



Tyle puringen This letter was actually sent to fir Frank Mc Fadgean yesterday. Although his letter was dated 29/1 the copies were dated 25/1. Here 30.1.80.