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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

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30 November 1983

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

Prime Minister

Mr Tebbit refuses to be
rushed into a decision
on launch aid for the
A320.

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A320

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attached Thank you for your minute of 21 November.

2 At the end of the presentation to the Prime Minister on 16 November, I said that I would be examining the scope for a reduction in the amount of launch aid needed by British Aerospace to undertake the A320. My officials are now working on this question. I do not think it would be appropriate for me to invite colleagues to formally agree to launch aid in principle, leaving only the details of the amount and the mechanics of such aid to be settled subsequently. We might gain some short-term political benefit from an announcement: but we would lose important negotiating leverage vis-a-vis British Aerospace. I hope that my Department will be able to circulate before Christmas a report giving our considered thoughts on British Aerospace's financing needs. This will prepare the way for discussion among Ministers. But I doubt if we will be able to reach a collective view on the structure or amount of aid before mid to late January.

3 This will mean that, if the meeting of Airbus Ministers proposed by M. Fiterman goes ahead on 20 December, we shall not be able to enter into any commitments. I recognise that this may leave Norman Lamont in an awkward position - especially if the Germans prove ready to support A320. My Department is in touch with German officials in an attempt to concert UK and German positions as far as possible. It may be that we and the Germans can jointly agree to tell the French that the 20 December meeting should be postponed. Much will no doubt depend on the outcome of the Franco-German Summit meeting.



4 I appreciate that, if we cannot announce our decision until the latter half of January, it may be difficult to co-ordinate the presentation of our position on A320 with the decision which Michael Heseltine wishes us to take very shortly on the choice between Ariane and the US Shuttle as a launcher for Skynet. But I am sure you will agree that, given the importance of the A320 decision, we cannot allow considerations of diplomatic advantage to outweigh the need for proper reflection and analysis. When the Government does reach a decision on funding of A320 we must certainly look carefully at the most advantageous way of presenting it to the French.

5 I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Employment, The Secretary of State for Defence, the Secretary of State for Transport, the Chief Secretary to the Treasury, and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Tebbit', with a horizontal line underneath.

NORMAN TEBBIT

30 NOV 1987

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