



10 DOWNING STREET

THE PRIME MINISTER

28 December 1983

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CSTI.
Alan H. Owen.

Thank you for your letter of 12 December about the British Aerospace case for launch aid for the Airbus A320 programme.

The Government fully recognise the implications of the A320 project for British Aerospace's future in civil aircraft manufacture. Sir Austin Pearce expresses confidence that the project will be a commercial success but acknowledges that there are risks and that there will be intense competition from Boeing. Launch aid would involve very substantial public expenditure: in outturn prices, the British Aerospace share of the A320 development cost is some £440 million. At a time when the Government are faced with a wide range of competing claims from other sectors for the limited funds available, it is incumbent upon us to ensure that the best possible value for money is obtained in the use of public funds.

It is therefore essential for the Government to be satisfied, before committing financial support to the A320, that the project has sound prospects of commercial viability and deserves priority over other calls for Government aid. We must consider very carefully the extent to which it would be

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appropriate for the Government to contribute to the funding and the basis on which the risks might be shared equitably with British Aerospace.

Evaluation of the A320 launch aid application is proceeding as a matter of urgency and the Government hope to reach a decision early in the New Year.

Yours sincerely

Raymond Daker

The Rt. Hon. Dr. David Owen, M.P.