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PRIME MINISTERA320 AIRBUS

The Chancellor has agreed a fallback position on launch aid with Mr. Tebbit - see attached letter. It is, as agreed with you, an extra £30m, making £250m in total, front end loaded but not to the point where payments exceed BAe's actual expenditure.

Mr. Tebbit is seeing Pearce, Lygo and Friend (Finance Director) this evening. He will say that he has not got clearance from colleagues but believes he could get agreement to an extra £30m but that he would not recommend to colleagues anything further nor would he expect them to agree. He will say that if BAe are not prepared to accept his offer, then so be it.

If the BAe team say yes, they will go back to their Board for final agreement. Mr. Tebbit will write to E(A) colleagues tomorrow, seeking their agreement. If this is received and the BAe Board also agrees, he would make a statement to the House on Tuesday, 28 February.

To note this position.

Andrew Turnbull
23 February 1984